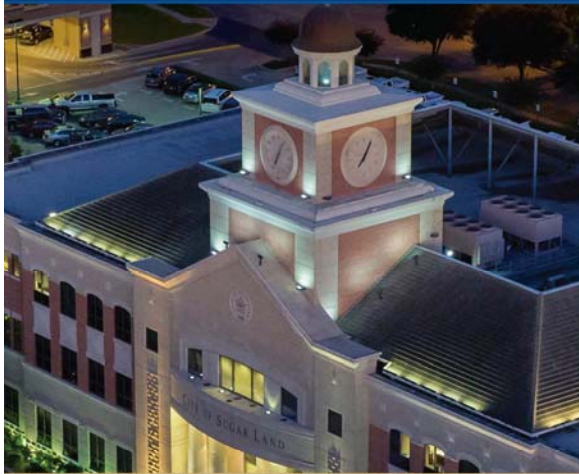


# CITY OF SUGAR LAND



## COMPREHENSIVE ANNUAL FINANCIAL REPORT



CITY OF SUGAR LAND

FISCAL YEAR 2014-2015



# **CITY OF SUGAR LAND, TEXAS**



## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**Fiscal Year Ended  
September 30, 2015**

### **Officials Issuing Report**

**Allen Bogard  
City Manager**

**Jennifer Brown  
Director of Finance**

**Alka B. Shah  
Chief Accountant**



## MAYOR AND CITY COUNCIL MEMBERS



***List in order: (L to R)***

**Himesh Gandhi..... Council Member, At Large Position One**  
**Amy L. Mitchell ..... Council Member, District Three**  
**James A. Thompson .....Mayor**  
**Joe R. Zimmerman ..... Council Member, At Large Position Two**  
**Bridget R. Yeung..... Council Member, District Two**  
**Harish C. Jajoo..... Council Member, District Four**  
**Steve R. Porter .....Council Member, District One**



**CITY OF SUGAR LAND, TEXAS**  
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## **INTRODUCTORY SECTION**

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## CITY OF SUGAR LAND

February 2, 2016

Honorable Mayor James Thompson and  
Members of the City Council  
City of Sugar Land, Texas

Dear Mayor and Council Members

State law requires that a complete set of audited financial statements be filed with the City Secretary within 180 days of the close of each fiscal year. This annual financial report is presented to fulfill that requirement for the fiscal year ended September 30, 2015.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Whitley Penn, Certified Public Accountants, have issued an unmodified (or “clean”) opinion on the City of Sugar Land’s financial statements for the year ended September 30, 2015. The independent auditors’ report is located at the front of the financial section of this report.

Management’s discussion and analysis (MD&A) immediately follows the independent auditors’ report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

### **PROFILE OF THE GOVERNMENT**

The City of Sugar Land, incorporated in 1959, has adopted a Council-Manager form of government. The Council is comprised of a mayor and six council members. The Mayor and two Council members are elected at large, and the remaining four are elected by district. All elected officials serve two-year terms. No person can be elected to more than four consecutive regular two-year terms as mayor or council member. The City Manager is appointed by Council and is responsible for implementation of Council policy and all day-to-day operations of the City.

The Council appoints many residents who volunteer their expertise, experience, and time to serve on various boards and commissions. These boards and commissions make recommendations relative to special projects, issues, and planning for the future. The Planning and Zoning Commission meets on a regular basis. Other boards and commissions that meet as needed include the PARCS Board (Parks, Art, Recreation, Culture & Streetscapes), Zoning Board of Adjustment, Building Standards Commission, and Animal Advisory Board. Specialized committees such as the Charter Review Committee are convened for special projects and meet only for a specific purpose until a recommendation is formulated and presented to City Council. This community spirit and teamwork is common to the citizens of Sugar Land and critical to the City’s success.

A full range of municipal services is provided by the City of Sugar Land including public safety (Police, Fire and EMS and Dispatch); water and wastewater utilities; planning; community development & code enforcement; public improvements; repair and maintenance of infrastructure; residential solid waste and recycling; animal services; recreational and community activities; and general administrative & support services. In addition, the City owns, operates, and serves as the fixed base operator of a general aviation airport. As an independent political subdivision of the State of Texas governed by an elected Mayor and Council, the City is considered a primary government. In accordance with standards established by the Governmental Accounting Standards Board (GASB), the City reports all funds for which the City, as the primary government, is financially accountable. The Sugar Land Development Corporation (SLDC), the Sugar Land 4B Corporation (SL4B), Sugar Land Town Square Tax Increment Reinvestment Zone (TIRZ 1), Imperial Redevelopment District (TIRZ 3) and Sugar Land Tax Increment Reinvestment Zone No. 4 (TIRZ 4) are considered to meet the criteria of component units. The SL4B, TIRZ 1, TIRZ 3 and TIRZ 4 have been included in the report as discretely presented component units. The SLDC (blended component unit) has been included as a major fund. The SLDC and the SL4B Corporations were created by the City under the Texas Development Corporation Act of 1979 for the purpose of promoting, assisting, and enhancing economic and related development activities on behalf of the City. TIRZ 1 was created in December 1998 and TIRZ 3 was created in December 2007 for the purposes of development and redevelopment in the Zone Areas. TIRZ 4 was created in December 2009 for the purposes of development and redevelopment in the Zone Area. The City participates in each Zone by contributing tax increments produced in the Zone to the Tax Increment Fund.

## **LOCAL ECONOMY**

In fiscal year 2015, the City continued to see economic growth. Building activity remains strong, with significant activity in commercial development and continued residential growth. Net property values grew 6.2% to \$10.76 billion as of January 1, 2014; an increase of \$628 million over 2013 values. New development accounted for \$134 million of the increase, while existing property values increased by \$494 million. The City Council increased the tax rate by 0.7 cents to implement the voter approved GO bonds for park projects, leading to a tax rate of \$0.31595, generating approximately 6.47% more revenues from the prior year. The residential homestead exemption remains at 7%.

The City continues to see significant building permit activity; commercial development picked up substantially in fiscal year 2015. Although the residential development in Telfair is substantially completed, commercial areas are continuing to develop. Imperial is seeing significant residential activity, with single family, townhomes and multi-family all developing during the year. Continued growth in Imperial and Telfair will generate new economic activity within the City and increase the property tax base. Residential development continues, and the available lots in Imperial led to an increase in activity. New single-family housing permits for fiscal year 2015 totaled 172, a 15% increase from 2014; with a 1% increase in the average permitted value to \$427,731.

New commercial construction valuation totaled \$234 million in value from 20 permits issued; of these permits, 18 were taxable properties with a value of \$148.8 million. Non-taxable construction includes the City's Smart Financial Centre at Sugar Land, which broke ground in December 2014. Nalco Champion began developing property that was acquired from Johnson Development, and worked with the City on acceleration of the extension of University Boulevard North from US90A to serve the property. Just after the close of the fiscal year, Schlumberger announced plans to consolidate their US headquarters to Sugar Land, repositioning 500 jobs and investing over \$200 million in capital improvements at their 200 acre Sugar Land campus. These corporate consolidations are a result of a high level of work effort put forth by City Economic Development & Planning staff, the Planning and Zoning Commission, and City Council to ensure Sugar Land is a preferred destination in the Houston region.

The City saw an increase of approximately 4.6% in sales tax over the prior year, as the economy continued to grow. Sales Tax revenues were budgeted at a conservative 1.4% increase from the previous year projections, and surpassed those estimates. The City ended the year even better than anticipated; with sales tax revenues totaling \$51.4 million compared to \$49.15 million in the prior year.

## **LONG-TERM FINANCIAL PLANNING AND RELEVANT FINANCIAL POLICIES**

The City annually adopts a one-year budget, including a five-year capital improvement program, through its fully coordinated long-range financial planning process. The budget implements strategies, both financial and operational, identified through the strategic and long-range planning process to meet existing challenges and to effectively plan for future needs. Decisions are not based solely on current conditions but on the long-term welfare of the community. The budget is developed and resources allocated based on the vision, mission, and goals of the City.

The City has adopted Financial Management Policy Statements (FMPS) that establish and document a framework for fiscal decision-making and that ensure that financial resources are available to meet the present and future needs of its citizens and business community. The FMPS, along with the City's long range financial planning, help to ensure prudent budgeting and fiscal health. One benefit of this is reflected in the City's strong bond ratings as further described in Management's Discussion and Analysis.

As identified in the FMPS, a five year forecasts has been prepared for each of the major operating funds. In the General Fund, the forecast demonstrates continued structural balance, including the ability to provide merit increases to employees and provide fire-based EMS transport beginning January 1, 2015. In its first nine months, over 2,200 transports have occurred and the response time to EMS calls has averaged just over 6 minutes. The Debt Service Fund is able to maintain balances over the policy requirement of 10% of annual debt service. In addition, the Debt Service Fund shows capacity for debt issuance to support the rehabilitation of existing infrastructure and continue implementation of the voter approved GO bond projects with lower than anticipated increases to complete the projects. The forecast shows utility rates will need to be adjusted within the forecast period in anticipation of significant capital investment in the system. Water and wastewater rates have not been adjusted for several years to minimize the impact to ratepayers of the surface water conversion.

The forecast outcome is highly dependent on several key assumptions that are based on information available at the time of preparation. A change in one or more of these assumptions can significantly alter the outcome of the forecast, which could have a tremendous impact on the City's operations and maintenance tax rate and capacity for future needs. Based on these assumptions, the forecast shows that the City will be able to accomplish the following:

- Maintain approximately 3% growth from tax revenues over the forecast period
- Fund existing services at current service levels in all funds
- Support the surface water treatment plant and debt repayment
- Maintain sales tax to fund operations below 50%
- Meet current and future debt service needs
- Implement the 2013 GO Bond Projects with minimal impact to the tax rate
- Fund the recommended Five-Year Construction-in-Progress (CIP) and resulting operating expenditures
- Continued Economic Development and Tourism efforts through reserves for opportunities

In November 2013, Sugar Land voters authorized \$31.5 million in general obligation bonds to be issued for parkland improvements at Brazos River Park, an adjacent festival site, and nearly ten miles of hike and bike trails and bridges throughout the City. The Fiscal Year (FY) 16 approved budget continues work on both of these projects and includes landscaping for Brazos River Park, restroom facilities at Brazos River Park and the roadway for the Festival Site. The approved funding totals \$3.2 million and will

ensure that these projects are ready for public use in fall 2016. Remaining projects are programmed to be underway by fiscal year 2019.

In June, the City Council elected to increase the residential homestead exemption to 8% for tax year 2015. According to the City's Financial Management Policy Statements, when the financial health of the City's finances and the economic and market conditions of the local economy justify, an increase may be considered. The 2015 preliminary tax rolls showed approximately 9% average increase to residential values and 7% increase on commercial values. Implementing the homestead exemption increase for 2015 allowed residential tax bills to benefit from the exemption increase immediately, buying down the average tax bill increase by 1% or \$11. With the increase to the homestead exemption and holding the 2015 tax rate level at \$0.31595, the City will be able to move forward with key drainage improvements on a faster schedule than would otherwise be possible, and will also be able to continue to move forward on voter approved park bond projects as scheduled.

The General Fund encompasses the majority of the City's services. Resources to the fund are generated through property and sales taxes, franchise fees, fines, charges for services and miscellaneous income. Expenditures from the fund support municipal services such as public safety; planning; community development & code enforcement; public improvements; repair & maintenance of infrastructure; animal control; recreational and community activities; and general administrative & support services. The General Fund continues to fund all current services throughout the forecast. The forecast includes additions to operating expenditures as identified in the Five Year CIP for FY16-FY20 and modest annual merit increases for employees. Recurring operating expenditures increase by an average of 2.0% from FY16 to FY20 due to additions to the budget for the operating impact of capital projects and growth in personnel costs and operations and maintenance. Overall, the General Fund is in a stable financial position throughout the forecast. Between FY16 through FY20 the fund is expected to meet or exceed the fund balance requirement.

The Debt Service Fund maintains the policy requirement throughout the 5-year forecast. The fund balance continues to grow through the forecast and is able to support nearly \$104.47 million in new debt for projects in the five-year CIP.

The City's Five-Year CIP totals \$233.48 million for FY16-FY20. Funding sources were identified as capacity was determined in the various financial plans and the timing of projects was adjusted to meet affordability. All projects included in the CIP have identified funding sources.

## **MAJOR INITIATIVES AND ACCOMPLISHMENTS**

The City continues to receive recognitions as a well-managed, economically growing city and a great place to live. The City carries the AAA bond rating from both Fitch Ratings and Standard & Poor's. The City is among an elite group of cities in Texas to carry the AAA rating from two rating agencies. In addition, the rating agencies have both assigned their AA+ rating to the City's utility revenue bonds.

Progress has been made on quality of life projects including the Smart Financial Centre at Sugar Land and the voter authorized Parks bond projects. The groundbreaking for the Smart Financial Centre at Sugar Land occurred in December 2014, with a topping-off ceremony one year later. The state-of-the-art venue, which will be able to accommodate an audience of up to 6,400, will bring jobs, entertainment, and tourist dollars to Sugar Land and is on schedule for completion in fall 2016. A groundbreaking was held for Brazos River Park phase II and the Festival Site. Construction of the Imperial Connector Trail began in 2015 as well.

The City's investment in infrastructure maintenance continued in FY15. Significant pavement rehabilitation projects were undertaken on Williams Trace, Sweetwater, and Lexington. Approximately 45,000 square yards of pavement were rehabilitated, which allows the City to delay more significant reconstruction efforts along these corridors. This focus on critical infrastructure projects ensures that the City's streets remain well-maintained, enhancing both drivability and mobility in the community.



Despite escalation in construction costs due to the economic climate, all projects planned for FY15 were undertaken within the funding allotted for the fiscal year.

City Council's continued emphasis on maintaining infrastructure while also focusing on quality of life projects significantly enhances the attractiveness, livability, and economic well-being of the community. The end results of these projects are higher property values, increased sales tax collections, and a highly desirable community that attracts and retains new residents and visitors.

In November 2013, voters approved \$31.5 million in park projects. At the time of approval, increases to the tax rate were anticipated to support the debt. The FY15 budget included a \$0.007 cent increase with increases anticipated in FY17 and FY19. With higher than anticipated revaluation in FY16, and a level tax rate, the FY17 increase should not be necessary.

The FY15 budget included funding for a number of the Parks bond projects, including Brazos River Park phase II and the Festival Site. The FY16 approved budget continues work on both of these projects and includes landscaping for Brazos River Park, restroom facilities at Brazos River Park and the roadway for the Festival Site. The approved funding totals \$3.2 million and will ensure that these projects are ready for public use in fall 2016.

Other accomplishments for FY 2015 include:

- Sugar Land Fire-EMS began operating a new ambulance transport service on January 1, 2015, improving response times that are well below the target of eight minutes.
- With the launch of the City's ambulance transport system, each of the City's 24 dispatchers received training and became certified Emergency Medical Dispatchers. In addition, new Emergency Medical Dispatch Computer Aided Call Handling protocols were integrated with existing Computer Aided Dispatch software.
- The City's building codes were updated to the 2015 International Codes and the 2014 National Electrical Code.
- The IT Strategic Plan was adopted.
- A record-breaking 775 animals were adopted from the City's animal shelter.
- Sugar Land was named a 2015 Digital City by the Center for Digital Government in November, placing fifth in its population category. The City of Sugar Land was recognized for technologies in its Intelligent Transportation System, real-time patient telemetry, webcams on construction sites, interactive story maps on Capital Improvement Program projects and airport ramp Wi-Fi.
- Adopted an updated Facilities Master Plan, the first comprehensive update since 2005.
- Updated the Water Master Plan.
- Adopted a Cultural Arts Strategic Plan and Implementation guide and featured art exhibits in City parks.
- Completed a historic agreement with the City of Houston and the Cullinan Park Conservancy to bring the 754 acre Cullinan Park into the City of Sugar Land for development and operation.

## **FINANCIAL MANAGEMENT AWARDS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sugar Land for its Comprehensive Annual Financial Report for the year ended September 30, 2014.

This was the thirty first year that the City has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

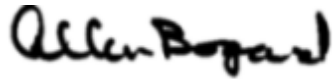
A Certificate of Achievement is valid for a period of one year only. It is the City's belief that the current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget for the period October 1, 2014- September 30, 2015. This was the nineteenth consecutive year the government received the distinguished budget award. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

## **ACKNOWLEDGEMENTS**

The preparation of this report could not have been accomplished without the efforts and dedicated services of the entire staff of the Finance Department. Appreciation is also expressed to City employees throughout the organization, for their commitment to our financial policies and procedures. We also thank the Mayor and members of the City Council for their continued support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Allen Bogard". The signature is written in a cursive, slightly slanted style.

Allen Bogard, City Manager

**CITY OF SUGAR LAND, TEXAS**  
**PRINCIPAL OFFICIALS AS OF SEPTEMBER 30, 2015**

<b>City Officials</b>	<b>Elective Position</b>	<b>Term Expires</b>
James A. Thompson	Mayor	2016
Himesh Gandhi	Council Member at Large - Position One	2016
Joe R. Zimmerman	Council Member at Large - Position Two	2016
Steve R. Porter	Council Member District One	2017
Bridget Yeung	Council Member District Two	2017
Amy Mitchell	Council Member District Three, Mayor Pro Tem	2017
Harish Jajoo	Council Member District Four	2017

<b>Key Staff</b>	<b>Position</b>
Allen Bogard	City Manager
Steve Griffith	First Assistant City Manager
James Callaway	Assistant City Manager
Mike Goodrum	Assistant City Manager
Jennifer Brown	Director of Finance
Alka B. Shah	Chief Accountant
Glenda A. Gundermann	City Secretary
Meredith Riede	City Attorney
Juan Adame	Fire Chief
Doug Brinkley	Police Chief

## CITY OF SUGAR LAND

EXECUTIVE TEAM ORGANIZATIONAL CHART AS OF SEPTEMBER 30, 2015

### City of Sugar Land Organizational Chart



[City Manager Allen Bogard](#)

- [City Secretary](#)
- [Economic Development](#)
- Legal
- Public Affairs



[Steve Griffith](#)

1st Assistant City Manager  
Public Safety

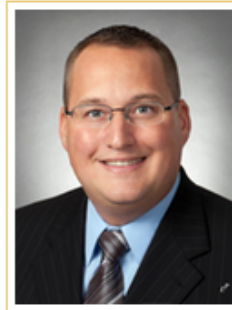
- [Communications](#)
- [Fire](#)
- [Municipal Court](#)
- [Police](#)
- [Public Safety Dispatch](#)
- [Sugar Land Regional Airport](#)



[Jim Callaway](#)

Assistant City Manager

- [Community Development](#)
- [Engineering](#)
- [Permits & Inspections](#)
- [Planning](#)



[Mike Goodrum](#)

Assistant City Manager

- [Finance](#)
- [Human Resources](#)
- Information Technology
- [Parks and Recreation](#)
- [Public Works](#)
- Strategic Initiatives



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Sugar Land  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2014**

Executive Director/CEO

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## **FINANCIAL SECTION**

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## REPORT OF INDEPENDENT AUDITORS

To the Honorable Mayor and Members  
of the City Council  
City of Sugar Land, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Sugar Land, Texas (the “City”) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

### Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor’s Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Honorable Mayor and Members  
of the City Council  
City of Sugar Land, Texas

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of , and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1 to the financial statements, the City adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* for the year ending September 30, 2015. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 16, budgetary comparison information on pages 74 through 75, pension system supplementary information on pages 76 through 77, and other post-employment benefit supplementary information on page 78 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund statements and schedules, other supplementary information, budgetary comparison schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

To the Honorable Mayor and Members  
of the City Council  
City of Sugar Land, Texas

**Other Matters (continued)**

*Other Information (continued)*

The combining and individual fund statements and schedules, other supplementary information, and budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules, other supplementary information, and budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2015, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Whitley Penn LLP*

Houston, Texas  
February 2, 2016

## **CITY OF SUGAR LAND, TEXAS**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The management of the City of Sugar Land offers readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2015.

#### **Financial Highlights**

- The assets and deferred outflows of resources of the City exceeded its deferred inflows of resources and liabilities at the close of the most recent fiscal year by \$619.5 million (*net position*). Of this amount, \$46.7 million (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$142.6 million, an increase of \$62.5 million over the prior year. Approximately 20% of this total amount, \$28.1 million, is *available for spending* at the government's discretion (*unassigned fund balance*).
- The City's Financial Management Policy requires the City to maintain the General fund's unassigned fund balance equivalent to three months of recurring operating costs, which is \$19.4 million for fiscal year 2015.
- The City's total long-term liabilities increased by \$126.6 million due to the issuance of new debt and the recognition of a net pension liability.

#### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

#### **Government-wide Financial Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between the four reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

**CITY OF SUGAR LAND, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Government-wide Financial Statements (continued)**

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, administrative services, public safety, public works, parks and recreation and community development. The business-type activities of the City include utility system, including surface water operations, and solid waste operations as well as the operations of a regional airport facility.

The government-wide financial statements include not only the City itself (known as *the primary government*), but also legally separate entities for which the City is financially accountable. Financial information for these *discretely presented component units* is reported separately from the financial information presented for the primary government itself. The City's four discretely presented component units consist of the following:

- Sugar Land 4B Corporation (4B Corporation)
- Sugar Land Town Square Tax Increment Reinvestment Zone No. 1 (TIRZ 1)
- Sugar Land Reinvestment Zone No. 3 (TIRZ 3)
- Sugar Land Reinvestment Zone No. 4 (TIRZ 4)

The following component unit is a blended component unit, meaning its financial information is included with that of the primary government:

- Sugar Land Development Corporation

The government-wide financial statements can be found on pages 19 through 21 of this report.

**Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds** - *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison *between governmental funds and governmental activities*.

**CITY OF SUGAR LAND, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Fund Financial Statements (continued)**

The City maintains 11 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Debt Service, Capital Projects, and Sugar Land Development Corporation Funds, all of which are considered to be major funds. Data from the other seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in the comprehensive annual financial report on pages 82 through 87. Four funds relating to debt reduction have been combined into one fund.

The basic governmental fund financial statements can be found on pages 22 through 25 of this report.

**Proprietary Funds** - The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its utility system, surface water plant, and solid waste operations as well as the operations of a regional airport facility. The City uses internal service funds to report activities that provide supplies and services for the City's other programs and activities. The Employee Benefits Fund, Fleet Replacement Fund and High-Technology Replacement Fund are the City's internal service funds. Their purpose is to provide for the accumulation of money for employee benefits, as well as, vehicle and equipment replacement used in City operations. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the utility system, including the surface water treatment plant, and solid waste operations as well as the operations of the regional airport facility. The utility system and airport funds are considered to be major funds of the City. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in the comprehensive annual financial report.

The basic proprietary fund financial statements can be found on pages 26 through 28 of this report.

**Combining Component Unit Financial Statements**

The City's four discretely presented component units shown in aggregate on the face of the government-wide financial statements have individual information presented in the form of combining statements immediately following the fund financial statements of the primary government.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data presented in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31 through 71.

**CITY OF SUGAR LAND, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees. The City adopts an annual appropriated budget for its general, debt service and certain special revenue funds. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. Required supplementary information can be found on pages 74 through 78 of this report.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$619.5 million at the close of the most recent fiscal year.

By far the largest portion of the City's net position, 80% or \$493.1 million, reflects its net investment in capital assets (e.g., land, buildings, and infrastructure), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending as of September 30, 2015. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**COMPARATIVE SCHEDULE OF NET POSITION**

*September 30, 2015 and 2014*

*Amounts in (000's)*

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Current and other assets	\$ 179,686	\$ 101,821	\$ 91,639	\$ 83,239	\$ 271,325	\$ 185,060
Capital assets	461,396	412,000	393,688	391,627	855,084	803,627
<b>Total Assets</b>	<b>641,082</b>	<b>513,821</b>	<b>485,327</b>	<b>474,866</b>	<b>1,126,409</b>	<b>988,687</b>
<b>Total Deferred Outflows of Resources</b>	<b>6,390</b>	<b>1,006</b>	<b>1,359</b>	<b>742</b>	<b>7,749</b>	<b>1,748</b>
Other liabilities	29,040	10,397	11,220	11,397	40,260	21,794
Long-term liabilities	273,349	155,897	200,385	191,192	473,734	347,089
<b>Total Liabilities</b>	<b>302,389</b>	<b>166,294</b>	<b>211,605</b>	<b>202,589</b>	<b>513,994</b>	<b>368,883</b>
<b>Total Deferred Inflows of Resources</b>	<b>596</b>		<b>78</b>		<b>673</b>	
<b>Net Position</b>						
Net investment in capital assets	268,582	282,719	224,544	229,356	493,126	512,075
Restricted	51,879	28,311	27,736	26,945	79,615	55,256
Unrestricted	24,026	37,503	22,722	16,718	46,748	54,221
<b>Total Net Position</b>	<b>\$ 344,487</b>	<b>\$ 348,533</b>	<b>\$ 275,002</b>	<b>\$ 273,019</b>	<b>\$ 619,489</b>	<b>\$ 621,552</b>

An additional portion of the City's net position, 12.9% or \$79.6 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* of 7.5% or \$46.7 million, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

**CITY OF SUGAR LAND, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Government-wide Financial Analysis (continued)**

**COMPARATIVE SCHEDULE OF CHANGES IN NET POSITION**

*For the Years Ended September 30, 2015 and 2014*

*Amounts in (000's)*

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Revenues</b>						
<b>Program revenues:</b>						
Charges for services	\$ 18,197	\$ 12,712	\$ 62,556	\$ 66,272	\$ 80,753	\$ 78,984
Operating grants and contributions	2,831	937	132	73	2,963	1,010
Capital grants and contributions	11,072	9,005	3,020	6,642	14,092	15,647
<b>General revenues:</b>						
Property taxes	34,206	31,368			34,206	31,368
Sales tax	45,321	43,454			45,321	43,454
Franchise and other taxes	8,399	8,374			8,399	8,374
Other	2,361	1,634	591	698	2,952	2,332
<b>Total Revenues</b>	<b>122,386</b>	<b>107,484</b>	<b>66,299</b>	<b>73,685</b>	<b>186,768</b>	<b>181,169</b>
<b>Expenses</b>						
General government	12,886	15,676			12,886	15,676
Administrative services	9,067	7,877			9,067	7,877
Public safety - Police	21,128	19,542			21,128	19,542
Public safety - Fire	13,164	12,045			13,164	12,045
Public safety - EMS	1,917					
Public works	30,123	24,895			30,123	24,895
Parks and recreation	8,286	7,916			8,286	7,916
Community development	5,672	5,188			5,672	5,188
Interest on long-term debt	10,244	5,910			10,244	5,910
Utility			27,924	22,848	27,924	22,848
Regional Airport			14,336	16,829	14,336	16,829
Surface Water			16,079	12,099	16,079	12,099
Solid Waste Management			5,626	5,147	5,626	5,147
<b>Total Expenses</b>	<b>112,487</b>	<b>99,049</b>	<b>63,964</b>	<b>56,923</b>	<b>174,535</b>	<b>155,972</b>
Increase (decrease) in net position before transfers	9,899	8,434	2,334	16,763	12,233	25,197
<b>Transfers</b>	<b>(1,301)</b>	<b>7,162</b>	<b>1,301</b>	<b>(7,162)</b>		
Increase (decrease) in net position	8,598	15,596	3,635	9,601	12,233	25,197
<b>Net position - beginning</b>	<b>348,533</b>	<b>332,937</b>	<b>273,019</b>	<b>263,418</b>	<b>621,552</b>	<b>596,355</b>
Prior period adjustment	(12,644)		(1,652)		(14,296)	
<b>Net position - ending</b>	<b>\$ 344,487</b>	<b>\$ 348,533</b>	<b>\$ 275,002</b>	<b>\$ 273,019</b>	<b>\$ 619,489</b>	<b>\$ 621,552</b>

The City's net position increased by approximately \$12.2 million (before applying a prior period adjustment of \$14.3 million related to the implementation of a new accounting standard), which was the result of an increase in governmental activities net position. The increase in the net position of governmental activities was the result of a capital contribution of \$11 million and an increase in various sources of revenues, including sales tax and property tax. The decrease in the net position of business-type activities was primarily attributed to a decrease in charges for services coupled with increases in expenses for the Utility and Surface Water activities.



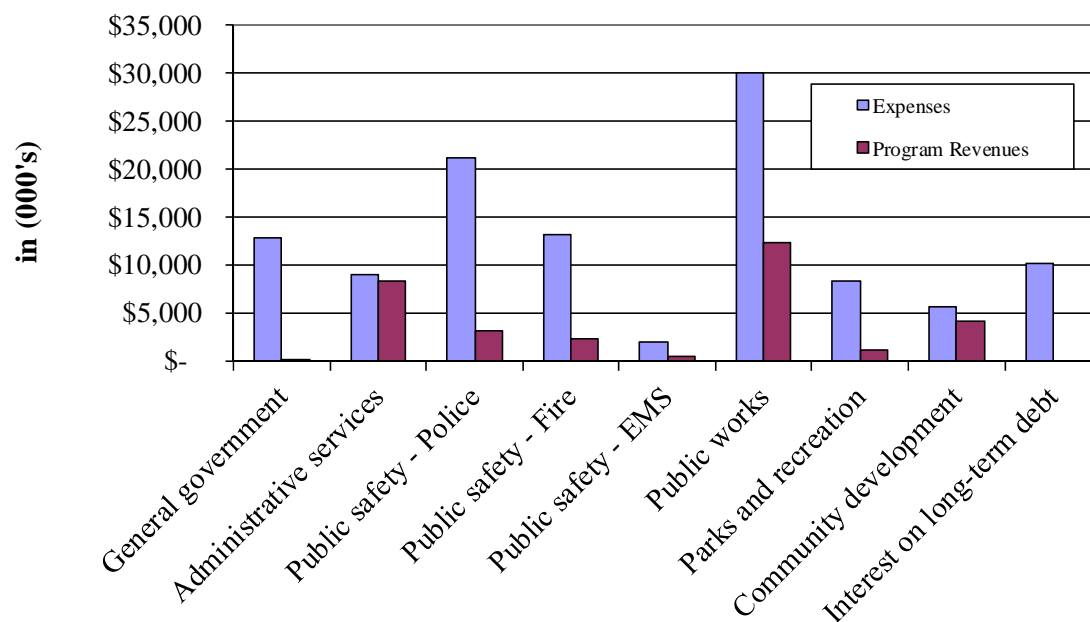
**CITY OF SUGAR LAND, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS** *(continued)*

**Governmental Activities**

Governmental activities increased the City's net position by \$8.6 million. Key elements of this increase are as follows:

- An increase in sales & use tax revenues by \$1.8 million
- An increase in property tax revenues by \$2.8 million
- An increase in operating grants and contributions of \$1.9 million
- An increase in capital grants and contributions of \$2.1 million
- Capital grants and contributions of \$11.1 million, consisting of infrastructure of \$5.9 million from developers in the Imperial, Riverpark and Riverstone subdivisions, \$1.2 million from Sugar Land 4B Corporation for various projects and \$4 million from ACE SL, LLC for Performing Arts Center.

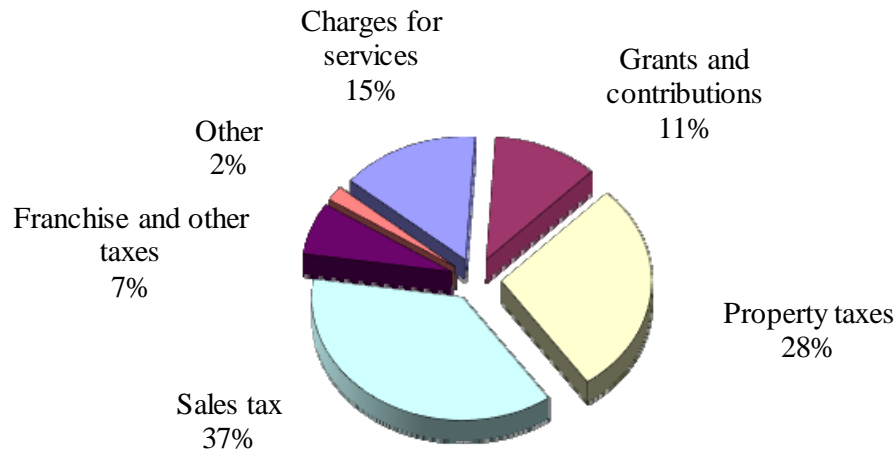
**Expenses and Program Revenues - Governmental Activities**



**CITY OF SUGAR LAND, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Governmental Activities (continued)**

**Revenues by Source - Governmental Activities**



**Business-type Activities**

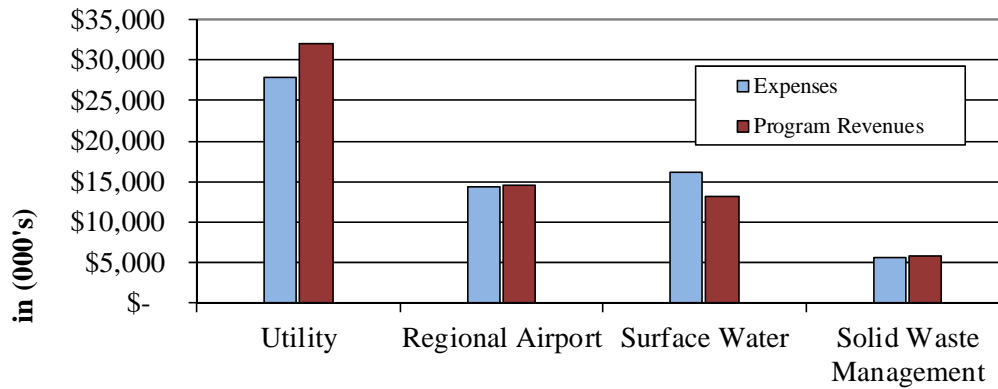
Business-type activities increased the City's net position by \$3.6 million. Key elements of this increase are as follows:

- A decrease of \$1.6 million in charges for services for the Utility fund due to increase in rainfall
- An increase of \$1.9 million in the operating expense of the Utility fund due to an increase in various areas including personnel costs, supplies, repairs and professional services
- An increase of \$3.6 million in the operating expense of the Surface Water fund as 2015 was the first full year of operation
- A decrease of \$3.6 million in capital contributions for the Airport fund
- An increase of \$0.4 million in interest expense due to an increase in the long term debt

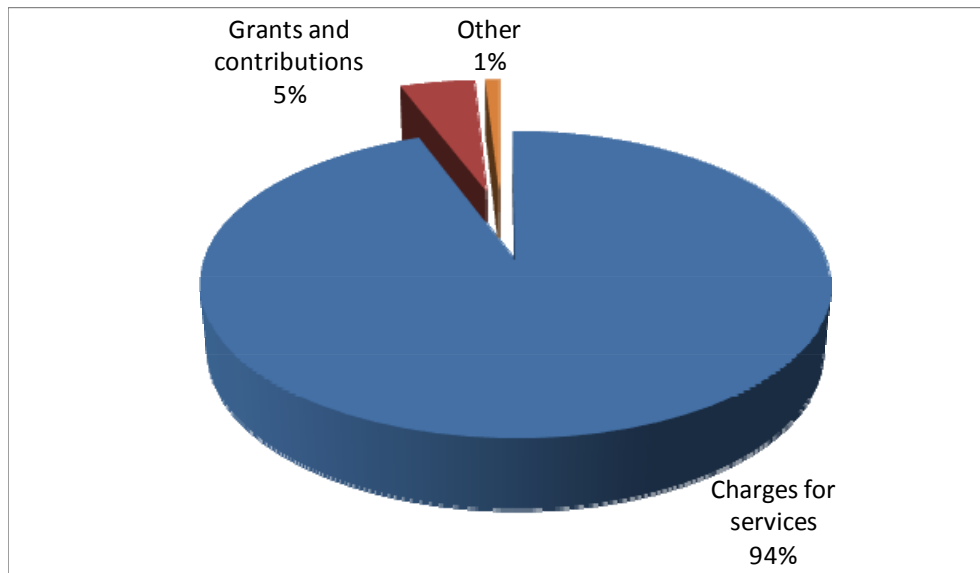
**CITY OF SUGAR LAND, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Business-type Activities (continued)**

**Expenses and Program Revenues - Business-type Activities**



**Revenues by Source – Business-type Activities**



**CITY OF SUGAR LAND, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Financial Analysis of the City's Funds**

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

**Governmental Funds** - The focus of the City's governmental funds is to provide information of near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements, in particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$142.6 million, an increase of \$62.5 million from the prior year. Approximately 20% of the combined ending fund balances, \$28.1 million, is *available for spending* at the government's discretion (*unassigned fund balance*).

The most significant change in fund balance was in the Capital Projects Fund with an increase of \$37.7 million. This increase is primarily due to the issuance of \$52.1 million in certificates of obligation and \$13.0 million in general obligation bonds in the current year. Other significant activity in governmental funds relates to the increase of fund balance of approximately \$24.3 million in the Sugar Land Development Corporation Fund due to the issuance of \$38.3 million in sales tax revenue bonds.

Fund balance in the General Fund increased from prior year, by \$0.5 million, resulting in an ending fund balance of \$28.8 million at year end. The unassigned fund balance of \$28.1 million represents 36% of total fund expenditures.

**Proprietary Funds** - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The Utility Fund has unrestricted net position at fiscal year-end of \$7.1 million. The Surface Water Fund has approximately \$9.1 million in unrestricted net position, and the Airport Fund's unrestricted net position amounted to approximately \$5.0 million. Other factors concerning the finances of the City's Proprietary Funds have already been addressed in the discussion of the City's business-type activities.

**CITY OF SUGAR LAND, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**General Fund Budgetary Highlights**

Budget estimates for revenues between the original and final amended budget increased by \$7.2 million. This rise was primarily due to increases in the budgeted revenues for sales tax, which was a result of the improved economic climate the City experienced.

During the year there were increases between the original and final amended budget appropriations of \$5.2 million due to appropriations of carry-over from the prior year.

There were no significant differences between final amended expenditures and actual expenditures in fiscal year 2015.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2015, the City's governmental activities and business-type activities had invested \$461.4 million and \$393.7 million, respectively, in a variety of capital assets and infrastructure, as reflected in the following schedule. This represents a net increase of \$49.4 million or 12.0% over the end of last fiscal year for governmental activities and a change of \$2.1 million or 0.5% percent for business-type activities.

<i>Amounts in (000's)</i>	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Land and intangibles	\$ 86,362	\$ 85,950	\$ 22,046	\$ 20,372	\$ 108,408	\$ 106,322
Construction in progress	66,332	21,927	22,885	9,747	89,217	31,674
Infrastructure	199,336	195,587	330,691	342,914	530,027	538,501
Buildings and improvements	92,870	96,004	13,401	13,599	106,271	109,603
Equipment and furniture	16,496	12,533	4,664	4,994	21,160	17,527
<b>Total Capital Assets</b>	<b>\$ 461,396</b>	<b>\$ 412,001</b>	<b>\$ 393,688</b>	<b>\$ 391,626</b>	<b>\$ 855,084</b>	<b>\$ 803,627</b>

The increase in construction in progress for governmental activities is due to construction activities in various areas including construction of the Performing Arts Center, Citywide camera system, Sugar Creek drainage improvements, Festival Grounds, Lakefield Drive reconstruction and Brazos River Park Phase II.

The increase in construction in progress for business-type activities is due to the construction activities in various areas including construction of a new service center, Austin Parkway ground water plant, waste water collection rehabilitation, Parallel taxiway relocation and roadway improvements at the airport.

**CITY OF SUGAR LAND, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Capital Assets and Debt Administration (continued)**

**Long-Term Debt**

At the end of the current fiscal year, the City had total bonds, certificates of obligation, capital leases and other obligations outstanding of \$473.7 million. Of this amount, \$77.5 million was general obligation debt (including \$6.3 million of dissolved utility district bonds), and \$145.4 million represents bonds secured solely by specified revenue sources (i.e. revenue bonds). Certificates of obligation and tax notes account for \$208.8 million and \$3.1 million, respectively. The City's net pension liability as of September 30, 2015 is \$19.2 million.

<i>Amounts in (000's)</i>	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
General obligation bonds	72,460	\$ 70,105	\$ 5,080	\$ 5,510	\$ 77,540	\$ 75,615
Revenue bonds	52,400	15,345	92,980	86,180	145,380	101,525
Certificates of obligation	111,279	63,232	97,521	98,003	208,800	161,235
Tax note	3,121				3,121	
Premiums or discounts	12,054	1,731	2,278	1,223	14,333	2,954
Capital leases payable	612	954			612	954
Net pension liability	17,000		2,221		19,221	
Other obligations	4,423	4,529	305	276	4,728	4,805
	<u>\$ 273,349</u>	<u>\$ 155,896</u>	<u>\$ 200,385</u>	<u>\$ 191,192</u>	<u>\$ 473,734</u>	<u>\$ 347,088</u>

The net increase in debt for the year was \$126.6 million or 36.5%. This was primarily due to the issuance of new debt and the recognition of the City's net pension liability.

The most recent ratings on debt issues are as follows:

	<b>Standard and Poor's</b>	<b>Fitch Investors Service</b>
General obligation bonds	AAA	AAA
Revenue bonds	AA+	AA+

Both the Sugar Land Development Corporation (SLDC) and the Sugar Land 4B (SL4B) Corporation, component units of the City, have issued debt. SLDC bonds are rated "A1" and "A+" from Moody's and Standard & Poor's, respectively. SL4B bonds are rated "Aa3" and "A+" from Moody's and Standard & Poor's, respectively.

Additional information on long-term debt can be found in Note 5 to the financial statements.

**Economic Factors and Next Year's Budgets and Rates**

The unemployment rate for the City of Sugar Land as of September 2015 was 3.6%, while Fort Bend County had a 4.4% unemployment rate. The Houston-Sugar Land-Baytown MSA rate was 4.6%, the Texas rate was 4.2% and the U.S. unemployment rate was 5.1% as of September 2015. The City continued to experience growth in sales tax revenues, but at a lesser rate than seen in the prior year. Fiscal year 2015 ended with collections higher than the growth that was projected, but growth at a lower rate than seen in prior years. For the FY16 budget, sales tax revenues are estimated to grow 2.1% over fiscal year 2015 projected revenues. Property tax revenues are based on the adopted 2015 tax rate of \$0.31595 per \$100 taxable value, and a net taxable value of \$11.82 billion to the City after TIRZ participation.

**CITY OF SUGAR LAND, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS** *(continued)*

**Economic Factors and Next Year's Budgets and Rates** *(continued)*

To ensure the City is prepared to deal with future growth and the financial impact of such growth, City Council and City staff has maintained a focus on internal processes that contribute to the success of the City. The FMPS have been identified by bond rating agencies as an important component of the City's AAA bond rating. City Council's continued leadership in the areas of sound development and strong financial policies position the City to be prepared for the challenges and benefits of future growth within the City.

The total budget for fiscal year 2016 is \$237.67 million and includes \$60.12 million in capital projects funding. Demands for services are driven by both residents and daytime population of the City as it becomes a regional employment base. According to ESRI, the City is home to about 63,500 employees in 2015, placing demands for resources on the City for services such as public safety and traffic management. ESRI data shows a 17% annual growth in employees located in Sugar Land over the last two years, for a total increase from 2013-15 of 37%. The budget has been developed to serve this daytime population plus an estimated population of 87,504 as of January 1, 2016.

The large number of ongoing projects that the City has undertaken will require more resources in order to continue providing the high levels of service currently offered. A number of additions are included in the FY16 budget to address the additional workload created by the increase in capital projects and contracts that the City must manage. A total of eleven new full-time equivalent positions (FTEs) are included in the budget. Of the eleven new FTEs, seven are in direct response to increasing workloads experienced by departments, including two at the Airport. Two FTEs relate to the completion of the IT strategic plan and one FTE in Public Safety Communications is to perform quality assurance work on EMS calls. One FTE is allocated to the new Environmental & Neighborhood Services Department, focusing on outreach efforts to better address code enforcement issues. In addition to the new positions, there are a number of increases included in the FY16 approved budget for additional equipment and studies that are one-time expenditures. The budget also include startup funding for Cullinan Park, which includes equipment and maintenance costs that are anticipated to be undertaken when the park transitions to the City near the end of FY16.

The FY16 CIP includes funding for a number of high priority projects outlined by City Council. Pavement and Drainage projects continue to be priorities in FY16, with an investment of nearly \$23 million. Funding for Utility projects continues to emphasize rehabilitation on lift stations, the collection system, and ground water storage tanks. Utility projects included in the FY16 budget total \$15.9 million. The FY16 budget continues work on the voter-approved Brazos River Park phase II and Festival Site; including landscaping and restroom facilities at Brazos River Park and the roadway for the Festival Site with funding of \$3.2 million from the GO bond authorization.

With the addition of the 11 new positions in the FY16 budget, the City will have a total of 712 full time equivalent positions, an equivalent of 8.14 employees per 1,000 residents. The budget includes funding for an average 3% merit increase for employees based on performance evaluations and provides funding for an anticipated 4.2% increase in health insurance costs, which are managed through a self-funded health plan.

The approved 2015 tax rate is \$0.31595 per \$100 valuation. City Council's approval of an 8% residential homestead exemption in June, an increase of 1%, will apply to the 2015 tax roll, and residents will see the benefit of this increase to reduce their 2015 tax bill. The adjustment to the homestead exemption was made on the recommendation of staff based on 2014 residential value increases along with anticipated increases for 2015 values, consistent with the Council approved FMPS. Maintaining the tax rate at \$0.31595 allows the City to move forward with key drainage improvements at a faster schedule than would be possible otherwise.

**CITY OF SUGAR LAND, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS** *(continued)*

**Economic Factors and Next Year's Budgets and Rates (continued)**

In the Enterprise Funds there are no changes to water, wastewater, or surface water rates. This is consistent with the five-year forecast that has been shared with City Council for the last several years. In fact, the City has not adjusted water or wastewater rates since 2011, minimizing impact to customers while the surface water rates were being implemented. Solid Waste includes a 2.5% increase to residential rates based on the contract with Republic Services. The new rate will be effective in January 2016 and will increase from \$16.81 to \$17.23.

The Council-approved Financial Management Policy Statements contain guidance on evaluating user fees for an annual CPI adjustment and for recommending new fees. In FY16 there is no adjustment as the CPI reflects no increase. There is one new fee and several structural changes included in the fee ordinance. The full cost of fire service reflects an increase from the current fee, mainly resulting from the public safety compensation study that was implemented in FY15. These fee increases will be shared with the municipal utility districts that are affected prior to implementation in January 2016. The Fire Protection Agreement with the Greatwood districts and Plantation MUD that are served by Station #6 is expiring in February 2016, and those districts will begin paying the full cost of fire service plus the out-of-city service charge, consistent with other ETJ districts served by the City.

**Requests for Information**

This financial report is designed to provide a general overview of the City of Sugar Land's finances for all those with an interest in the City's finances. Questions concerning this report or requests for additional financial information should be directed to Alka B. Shah, Chief Accountant, City Hall, 2700 Town Center Boulevard North, Sugar Land, TX 77479, telephone (281) 275-2745 or for general City information, visit the City's website at [www.sugarlandtx.gov](http://www.sugarlandtx.gov).



## **BASIC FINANCIAL STATEMENTS**

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**CITY OF SUGAR LAND, TEXAS**  
**STATEMENT OF NET POSITION**  
September 30, 2015

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Units</b>
<b>Assets</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 21,252,998	\$ 12,592,216	\$ 33,845,214	\$ 2,513,546
Cash with fiscal agent	5,607,741		5,607,741	
Investments	131,785,539	27,044,250	158,829,789	3,752,633
Accounts receivable, net of allowance for doubtful accounts	14,280,154	4,907,505	19,187,659	1,051,022
Interest receivable	159,210	100,083	259,293	8,717
Internal balances	(1,148,021)	1,148,021		
Due from other governments	520,956		520,956	
Inventories	204,263	263,094	467,357	
Prepaid items	44,795	7,654	52,449	1,639
Restricted cash and cash equivalents	6,077,120	21,804,216	27,881,336	1,046,289
Restricted investments	901,004	23,771,564	24,672,568	2,651,981
<b>Total current assets</b>	<b>179,685,759</b>	<b>91,638,603</b>	<b>271,324,362</b>	<b>11,025,827</b>
<b>Non-current assets:</b>				
Capital assets not being depreciated:				
Land	83,840,186	19,974,051	103,814,237	
Construction in progress	66,332,227	22,884,919	89,217,146	
Intangibles	1,946,379	1,150,275	3,096,654	
Capital assets net of depreciation:				
Infrastructure	199,335,715	330,691,493	530,027,208	
Buildings and improvements	92,869,826	13,401,394	106,271,220	
Equipment and furniture	16,496,172	4,664,211	21,160,383	
Intangibles	575,227	921,629	1,496,856	
<b>Total non-current assets</b>	<b>461,395,732</b>	<b>393,687,972</b>	<b>855,083,704</b>	
<b>Total Assets</b>	<b>641,081,491</b>	<b>485,326,575</b>	<b>1,126,408,066</b>	<b>11,025,827</b>
<b>Deferred Outflows of Resources</b>				
Deferred charge on refunding	693,642	614,318	1,307,960	153,596
Deferred outflows relating to pension activities	5,696,341	744,330	6,440,671	
<b>Total Deferred Outflows of Resources</b>	<b>6,389,983</b>	<b>1,358,648</b>	<b>7,748,631</b>	<b>153,596</b>
<b>Liabilities</b>				
<b>Current liabilities:</b>				
Accounts payable and accrued expenses	22,288,580	6,908,805	29,197,385	248,961
Accrued interest	1,438,588	1,000,772	2,439,360	198,603
Unearned revenue	5,216,839		5,216,839	
Customer deposits	96,299	3,310,877	3,407,176	
<b>Total current liabilities</b>	<b>29,040,306</b>	<b>11,220,454</b>	<b>40,260,760</b>	<b>447,564</b>
<b>Non-current liabilities:</b>				
Due within one year	14,703,547	8,302,399	23,005,946	1,862,414
Due in more than one year	258,645,256	192,082,771	450,728,027	33,988,973
<b>Total non-current liabilities</b>	<b>273,348,803</b>	<b>200,385,170</b>	<b>473,733,973</b>	<b>35,851,387</b>
<b>Total Liabilities</b>	<b>302,389,109</b>	<b>211,605,624</b>	<b>513,994,733</b>	<b>36,298,951</b>
<b>Deferred Inflows of Resources</b>				
Deferred inflows relating to pension activities	595,508	77,814	673,322	
<b>Total Deferred Inflows of Resources</b>	<b>595,508</b>	<b>77,814</b>	<b>673,322</b>	
<b>Net Position</b>				
Net investment in capital assets	268,581,664	224,543,672	493,125,336	
Restricted:				
Debt service	10,453,704	27,736,186	38,189,890	838,632
Development activities	41,223,466		41,223,466	116,950
Public safety	202,439		202,439	
Unrestricted	24,025,584	22,721,927	46,747,511	(26,075,110)
<b>Total Net Position</b>	<b>\$ 344,486,857</b>	<b>\$ 275,001,785</b>	<b>\$ 619,488,642</b>	<b>\$ (25,119,528)</b>

See Notes to Financial Statements.

**CITY OF SUGAR LAND, TEXAS**

**STATEMENT OF ACTIVITIES**

*For the Year Ended September 30, 2015*

*Page 1 of 2*

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government</b>				
Governmental Activities:				
General government	\$ 12,886,353	\$ 35,371	\$ 118,991	\$
Administrative services	9,067,022	6,906,002	1,371,326	
Public safety - Police	21,128,023	2,985,852	144,126	
Public safety - Fire	13,164,239	2,369,089	10,874	
Public safety - EMS	1,916,547	459,223		
Public works	30,122,770	1,297,586	27,985	11,062,965
Parks and recreation	8,286,024	648,828	489,060	8,659
Community development	5,672,387	3,494,806	668,906	
Interest on long-term debt	10,243,695			
<b>Total governmental activities</b>	<b>112,487,060</b>	<b>18,196,757</b>	<b>2,831,268</b>	<b>11,071,624</b>
Business-type activities:				
Utility	27,923,518	29,844,425		2,249,079
Regional Airport	14,335,885	13,747,794	105,531	742,006
Surface Water	16,079,024	13,192,793		29,100
Solid Waste Management	5,625,859	5,770,866	26,036	
<b>Total business-type activities</b>	<b>63,964,286</b>	<b>62,555,878</b>	<b>131,567</b>	<b>3,020,185</b>
<b>Total primary government</b>	<b>\$ 176,451,346</b>	<b>\$ 80,752,635</b>	<b>\$ 2,962,835</b>	<b>\$ 14,091,809</b>
<b>Component Units</b>				
Sugar Land 4B Corporation	\$ 3,620,448	\$	\$ 152,911	\$
Sugar Land Town Square Tax Increment				
Reinvestment Zone No. 1	1,333,145			
Sugar Land Reinvestment Zone No. 3				
Sugar Land Reinvestment Zone No. 4				
<b>Total component units</b>	<b>\$ 4,953,593</b>	<b>\$</b>	<b>\$ 152,911</b>	<b>\$</b>

**CITY OF SUGAR LAND, TEXAS**

**STATEMENT OF ACTIVITIES**

*For the Year Ended September 30, 2015*

*Page 2 of 2*

	Net (Expense) Revenue and Changes in Net Assets			
	Primary Government			
Functions/Programs	Governmental Activities	Business-type Activities	Total	Component Units
Primary government				
Governmental Activities:				
General government	\$ (12,731,991)	\$	\$ (12,731,991)	
Administrative services	(789,694)		(789,694)	
Public safety - Police	(17,998,045)		(17,998,045)	
Public safety - Fire	(10,784,276)		(10,784,276)	
Public safety - EMS	(1,457,324)		(1,457,324)	
Public works	(17,734,234)		(17,734,234)	
Parks and recreation	(7,139,477)		(7,139,477)	
Community development	(1,508,675)		(1,508,675)	
Interest on long-term debt	(10,243,695)		(10,243,695)	
Total governmental activities	(80,387,411)		(80,387,411)	
Business-type activities:				
Utility		4,169,986	4,169,986	
Regional Airport		259,446	259,446	
Surface Water		(2,857,131)	(2,857,131)	
Solid Waste Management		171,043	171,043	
Total business-type activities		1,743,344	1,743,344	
Total primary government	\$ (80,387,411)	\$ 1,743,344	\$ (78,644,067)	
Component Units				
Sugar Land 4B Corporation				\$ (3,467,537)
Sugar Land Town Square Tax Increment				
Reinvestment Zone No. 1				(1,333,145)
Sugar Land Reinvestment Zone No. 3				
Sugar Land Reinvestment Zone No. 4				
Total component units				(4,800,682)
General revenues:				
Property taxes	34,205,770		34,205,770	1,770,844
Sales tax	45,320,979		45,320,979	6,474,562
Franchise and other taxes	8,398,820		8,398,820	
Investment earnings	1,062,995	531,399	1,594,394	57,225
Miscellaneous	1,297,768	59,565	1,357,333	196,700
Transfers	(1,300,673)	1,300,673		
Total general revenues and transfers	88,985,659	1,891,637	90,877,296	8,499,331
Change in net position	8,598,248	3,634,981	12,233,229	3,698,649
Net position - beginning	348,532,744	273,018,987	621,551,731	(28,818,177)
Prior period adjustment	(12,644,135)	(1,652,183)	(14,296,318)	
Net position - ending	\$ 344,486,857	\$ 275,001,785	\$ 619,488,642	\$ (25,119,528)

**CITY OF SUGAR LAND, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**September 30, 2015**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Sugar Land Development Corporation Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>						
Cash and cash equivalents	\$ 2,621,301	\$ 381,636	\$ 6,206,822	\$ 6,327,464	\$ 3,385,223	\$ 18,922,446
Cash with fiscal agent			5,119,741			5,119,741
Investments	25,781,764	4,252,703	59,872,936	30,388,052	7,746,549	128,042,004
Receivables, net of allowance for uncollectibles	8,221,968	236,107	64,331	1,048,635	3,657,299	13,228,340
Interest receivable	50,128	3,377	55,814	26,144	14,721	150,184
Due from other governments	292,867		87,872		140,217	520,956
Inventories	204,263					204,263
Prepaid items	18,328			2,740		21,068
Restricted cash and cash equivalents			2,044,869	4,032,251		6,077,120
Restricted investments				901,004		901,004
<b>Total Assets</b>	<b>\$37,190,619</b>	<b>\$ 4,873,823</b>	<b>\$73,452,385</b>	<b>\$42,726,290</b>	<b>\$ 14,944,009</b>	<b>\$ 173,187,126</b>
<b>Liabilities</b>						
Accounts payable	\$ 4,437,810	\$	\$ 7,758,214	\$ 5,033,797	\$ 1,032,284	\$ 18,262,105
Accrued expenditures	2,691,486				10,370	2,701,856
Customer deposits	96,299					96,299
Unearned revenue	73,436		5,143,403			5,216,839
<b>Total Liabilities</b>	<b>7,299,031</b>		<b>12,901,617</b>	<b>5,033,797</b>	<b>1,042,654</b>	<b>26,277,099</b>
<b>Deferred Inflows of Resources</b>						
Unavailable revenue	1,097,056	234,142			2,930,026	4,261,224
<b>Total Deferred Inflows of Resources</b>	<b>1,097,056</b>	<b>234,142</b>			<b>2,930,026</b>	<b>4,261,224</b>
<b>Fund Balance</b>						
Nonspendable:						
Inventories	204,263					204,263
Prepaid items	18,328			2,740		21,068
Restricted:						
Debt service		4,639,681			7,252,611	11,892,292
Capital projects			60,550,768			60,550,768
Development activities				37,689,753	3,533,713	41,223,466
Public safety					202,439	202,439
Committed	146,728					146,728
Assigned	339,946					339,946
Unassigned	28,085,267				(17,434)	28,067,833
<b>Total Fund Balance</b>	<b>28,794,532</b>	<b>4,639,681</b>	<b>60,550,768</b>	<b>37,692,493</b>	<b>10,971,329</b>	<b>142,648,803</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$37,190,619</b>	<b>\$ 4,873,823</b>	<b>\$73,452,385</b>	<b>\$42,726,290</b>	<b>\$ 14,944,009</b>	<b>\$ 173,187,126</b>

*See Notes to Financial Statements.*

**CITY OF SUGAR LAND, TEXAS****RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION***September 30, 2015*

Total fund balance, governmental funds	\$ 142,648,803
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. The cost of the assets is \$743,225,927 and the accumulated depreciation is \$284,138,315.	459,087,612
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Long-term non-financial receivables are not available to pay for current period expenditures and, therefore, are not reported as assets in the governmental funds. This represents capital contributions due from developers in the future.	1,001,949
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Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	4,261,224
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Deferred charge on refunding	693,642
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Long-term liabilities, including bonds payable, compensated absences, and sales tax payable are not due in the current period and, therefore, are not reported as liabilities in the fund financial statements. Liabilities at year end related to bonds payable, compensated absences, and sales tax payable consists of:

Bonds payable, at maturity	\$ (239,260,070)	
Accrued interest on the bonds	(1,438,588)	
Premium/discount of bonds payable	(12,054,362)	
Capital lease obligation	(611,816)	
Compensated absences	(2,693,497)	
Sales tax payable	(398,567)	
Net pension liability	(16,999,704)	
		(273,456,604)

Deferred outflows and deferred inflows relating to pension activities	5,100,833
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The assets and liabilities of certain internal service funds are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	5,149,398
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Net Position of Governmental Activities in the Statement of Net Position	\$ 344,486,857
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*See Notes to Financial Statements.*

**CITY OF SUGAR LAND, TEXAS**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

**GOVERNMENTAL FUNDS**

*For the Year Ended September 30, 2015*

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Sugar Land Development Corporation Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>						
<b>Taxes:</b>						
Property taxes	\$ 18,433,233	\$ 15,639,782	\$	\$	\$	\$ 34,073,015
Sales tax	38,549,980			6,425,156		44,975,136
Franchise and other taxes	5,899,673				2,499,147	8,398,820
Licenses and permits	3,494,806					3,494,806
Fines and forfeitures	1,874,655				2,082,002	3,956,657
Charges for services	8,654,100		1,138,815			9,792,915
Investment earnings	468,598	26,425	306,689	166,654	61,666	1,030,032
Intergovernmental	765,667		1,705,296	850,000	1,532,764	4,853,727
Other	375,475		4,212,063		88,468	4,676,006
<b>Total Revenues</b>	<b>78,516,187</b>	<b>15,666,207</b>	<b>7,362,863</b>	<b>7,441,810</b>	<b>6,264,047</b>	<b>115,251,114</b>
<b>Expenditures</b>						
<b>Current:</b>						
General government	11,484,567			1,313,618	1,134,620	13,932,805
Administrative services	7,465,770	1,407,456	226,400	2,740	119,189	9,221,555
Public safety - Police	19,789,824				1,355,095	21,144,919
Public safety - Fire	14,607,687					14,607,687
Public safety - EMS	2,935,585					2,935,585
Public works	11,770,859		5,993,821			17,764,680
Parks and recreation	3,827,743		1,625,180			5,452,923
Community development	5,583,223					5,583,223
<b>Debt Service:</b>						
Principal		12,519,382		820,000		13,339,382
Interest and other charges		5,816,881		1,899,429		7,716,310
Bond issuance costs		236,978	877,101	898,790		2,012,869
<b>Capital Outlay</b>			<b>35,515,226</b>	<b>18,722,646</b>	<b>1,073,581</b>	<b>55,311,453</b>
<b>Total Expenditures</b>	<b>77,465,258</b>	<b>19,980,697</b>	<b>44,237,728</b>	<b>23,657,223</b>	<b>3,682,485</b>	<b>169,023,391</b>
Excess (deficiency) of revenues over expenditures	1,050,929	(4,314,490)	(36,874,865)	(16,215,413)	2,581,562	(53,772,277)
<b>Other Financing Sources (Uses)</b>						
Certificates of obligation issued			52,115,000			52,115,000
General obligation debt issued			13,010,000			13,010,000
Refunding bonds issued		21,565,000		7,375,000		28,940,000
Revenue bonds issued				38,265,000		38,265,000
Premium on debt issued		3,378,097	3,046,046	5,045,731		11,469,874
Capital leases	3,510,000					3,510,000
Payment to escrow agent		(24,965,005)		(7,937,678)		(32,902,683)
Sale of capital assets	54,099					54,099
Transfers in	655,057	4,967,824	6,912,633		443,977	12,979,491
Transfers (out)	(4,740,065)	(96,756)	(472,500)	(2,196,338)	(3,634,572)	(11,140,231)
<b>Total other Financing Sources and Uses</b>	<b>(520,909)</b>	<b>4,849,160</b>	<b>74,611,179</b>	<b>40,551,715</b>	<b>(3,190,595)</b>	<b>116,300,550</b>
Net change in fund balance	530,020	534,670	37,736,314	24,336,302	(609,033)	62,528,273
<b>Fund balance - beginning</b>	<b>28,264,512</b>	<b>4,105,011</b>	<b>22,814,454</b>	<b>13,356,191</b>	<b>11,580,362</b>	<b>80,120,530</b>
<b>Fund balance - ending</b>	<b>\$ 28,794,532</b>	<b>\$ 4,639,681</b>	<b>\$ 60,550,768</b>	<b>\$ 37,692,493</b>	<b>\$ 10,971,329</b>	<b>\$ 142,648,803</b>

*See Notes to Financial Statements.*



**CITY OF SUGAR LAND, TEXAS****RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF****GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES***For the Year Ended September 30, 2015*

Net change in fund balance - total governmental funds: \$ 62,528,273

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which depreciation (\$15,258,675) is exceeded by capital outlays (\$58,833,051) in the current period. 43,574,376

Donated infrastructure does not represent current assets, and therefore is not recognized as revenue in governmental fund financials. The total amount is, however, reflected in the government wide financial statements as program revenue. 5,971,462

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain or loss on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold. (263,464)

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. 1,206,689

Pension contributions made after the net pension liability date are reported as expenditures in the governmental funds and are reported as deferred outflows on the face of the statement of net position 4,374,485

Governmental funds report proceeds from new debt as a current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which proceeds exceeded repayments. (101,049,731)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds.

Changes in accrued interest (514,516)  
Changes in accrued compensated absences (178,096)  
Pension expense for the pension plan measurement year (3,629,221)

Internal service funds are used by management to charge the costs of certain activities, such as fleet maintenance and information technology, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities. (3,422,009)

Change in net position of governmental activities \$ 8,598,248

*See Notes to Financial Statements.*

**CITY OF SUGAR LAND, TEXAS**

**STATEMENT OF NET POSITION**

**PROPRIETARY FUNDS**

September 30, 2015

	Business-type Activities - Enterprise Funds					Governmental Activities
	Utility Fund	Airport Fund	Surface Water Fund	Solid Waste Fund	Total	Internal Service Funds
<b>Assets</b>						
<b>Current assets:</b>						
Cash and cash equivalents	\$ 4,457,996	\$ 4,072,500	\$ 3,919,778	\$ 141,942	\$ 12,592,216	\$ 2,330,552
Cash with fiscal agent						488,000
Investments	20,040,694	2,000,930	5,002,626		27,044,250	3,743,535
Accounts receivable, net of allowance for doubtful accounts	3,481,374	114,453	607,772	703,906	4,907,505	49,849
Interest receivable	78,893	3,420	17,770		100,083	9,026
Inventories	125,160	137,934			263,094	
Prepaid items	5,529	2,125			7,654	23,727
Restricted cash and cash equivalents	9,599,316	2,551,397	9,653,503		21,804,216	
Restricted investments	20,765,132		3,006,432		23,771,564	
<b>Total current assets</b>	<b>58,554,094</b>	<b>8,882,759</b>	<b>22,207,881</b>	<b>845,848</b>	<b>90,490,582</b>	<b>6,644,689</b>
<b>Non-current assets:</b>						
Capital assets not being depreciated:						
Land	2,321,552	16,848,126	804,373		19,974,051	
Construction in progress	19,626,796	2,220,862	1,037,261		22,884,919	
Intangibles	910,305		239,970		1,150,275	
Capital assets being depreciated:						
Infrastructure	340,696,753	45,780,439	105,632,855		492,110,047	
Buildings and improvements	1,127,898	17,952,736	393,788		19,474,422	
Equipment and furniture	4,222,554	4,779,381	256,086	25,811	9,283,832	9,431,679
Intangibles	127,704		891,308		1,019,012	
Less accumulated depreciation	(139,603,878)	(23,079,386)	(9,524,031)	(1,291)	(172,208,586)	(7,123,559)
<b>Total non-current assets</b>	<b>229,429,684</b>	<b>64,502,158</b>	<b>99,731,610</b>	<b>24,520</b>	<b>393,687,972</b>	<b>2,308,120</b>
<b>Total Assets</b>	<b>287,983,778</b>	<b>73,384,917</b>	<b>121,939,491</b>	<b>870,368</b>	<b>484,178,554</b>	<b>8,952,809</b>
<b>Deferred Outflows of Resources</b>						
Deferred charge on refunding	394,711	219,607			614,318	
Deferred outflows relating to pension activities	375,781	267,539	81,146	19,864	744,330	
<b>Total Deferred Outflows of Resources</b>	<b>770,492</b>	<b>487,146</b>	<b>81,146</b>	<b>19,864</b>	<b>1,358,648</b>	
<b>Liabilities</b>						
<b>Current liabilities:</b>						
Accounts payable and accrued expenses	5,387,663	576,649	482,920	461,573	6,908,805	2,655,390
Accrued interest	372,512	52,233	576,027		1,000,772	
Customer deposits	3,212,664	98,213			3,310,877	
<b>Total current liabilities</b>	<b>8,972,839</b>	<b>727,095</b>	<b>1,058,947</b>	<b>461,573</b>	<b>11,220,454</b>	<b>2,655,390</b>
<b>Non-current liabilities:</b>						
Due within one year	4,997,084	747,399	2,557,916		8,302,399	
Due in more than one year	80,437,037	11,796,110	99,786,170	63,454	192,082,771	
<b>Total non-current liabilities</b>	<b>85,434,121</b>	<b>12,543,509</b>	<b>102,344,086</b>	<b>63,454</b>	<b>200,385,170</b>	
<b>Total Liabilities</b>	<b>94,406,960</b>	<b>13,270,604</b>	<b>103,403,033</b>	<b>525,027</b>	<b>211,605,624</b>	<b>2,655,390</b>
<b>Deferred Inflows of Resources</b>						
Deferred inflows relating to pension activities	39,285	27,969	8,483	2,077	77,814	
<b>Total Deferred Inflows of Resources</b>	<b>39,285</b>	<b>27,969</b>	<b>8,483</b>	<b>2,077</b>	<b>77,814</b>	
<b>Net Position</b>						
Net investment in capital assets	166,872,274	54,843,216	2,803,662	24,520	224,543,672	2,308,120
Restricted:						
Capital projects						
Debt service	20,329,132	733,382	6,673,672		27,736,186	
Unrestricted	7,106,619	4,996,892	9,131,787	338,608	21,573,906	3,989,299
<b>Total Net Position</b>	<b>\$ 194,308,025</b>	<b>\$ 60,573,490</b>	<b>\$ 18,609,121</b>	<b>\$ 363,128</b>	<b>273,853,764</b>	<b>\$ 6,297,419</b>

The assets and liabilities of certain internal service funds are not included in the fund financial statement, but are included in the Business Activities of the Statement of Net Position.

1,148,021

Total Net Position per Government-Wide financial statements

\$275,001,785

See Notes to Financial Statements.

**CITY OF SUGAR LAND, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
*For the Year Ended September 30, 2015*

	<b>Business-type Activities - Enterprise Funds</b>					<b>Governmental Activities</b>
	<b>Utility Fund</b>	<b>Airport Fund</b>	<b>Surface Water Fund</b>	<b>Solid Waste Fund</b>	<b>Total</b>	<b>Internal Service Funds</b>
<b>Revenues</b>						
Charges for services	\$ 29,844,425	\$ 13,747,794	\$ 13,192,793	\$ 5,770,866	\$ 62,555,878	\$ 9,780,052
Miscellaneous	11,827		45,289	2,126	59,242	
<b>Total Operating Revenues</b>	<b>29,856,252</b>	<b>13,747,794</b>	<b>13,238,082</b>	<b>5,772,992</b>	<b>62,615,120</b>	<b>9,780,052</b>
<b>Operating Expenses</b>						
Personnel services	3,548,294	2,322,924	927,533	156,158	6,954,909	21,364
Supplies and materials	183,967	7,011,544	86,758	3,954	7,286,223	836,088
Contractual services	6,818,316	1,455,051	2,504,637	5,433,843	16,211,847	145,528
Repairs and maintenance	4,510,722	369,356	1,646,837	3,407	6,530,322	19,942
Other expenses	647,108	446,309	188,710	26,376	1,308,503	8,309,517
Depreciation	9,028,016	2,337,312	6,150,524	1,291	17,517,143	955,368
<b>Total Operating Expenses</b>	<b>24,736,423</b>	<b>13,942,496</b>	<b>11,504,999</b>	<b>5,625,029</b>	<b>55,808,947</b>	<b>10,287,807</b>
<b>Operating income (loss)</b>	<b>5,119,829</b>	<b>(194,702)</b>	<b>1,733,083</b>	<b>147,963</b>	<b>6,806,173</b>	<b>(507,755)</b>
<b>Non-Operating Revenues (Expenses)</b>						
Interest and investment revenue	382,012	25,036	124,159	192	531,399	32,112
Miscellaneous revenue		323			323	67
Intergovernmental		105,531		26,036	131,567	
Gain (loss) on disposal of capital assets						101,146
Interest expense	(3,137,314)	(366,644)	(4,559,028)		(8,062,986)	
<b>Total Non-operating Revenue (Expenses)</b>	<b>(2,755,302)</b>	<b>(235,754)</b>	<b>(4,434,869)</b>	<b>26,228</b>	<b>(7,399,697)</b>	<b>133,325</b>
<b>Income (loss) before contributions and transfers</b>	<b>2,364,527</b>	<b>(430,456)</b>	<b>(2,701,786)</b>	<b>174,191</b>	<b>(593,524)</b>	<b>(374,430)</b>
Capital contributions	2,249,079	742,006	29,100		3,020,185	
Transfers in		259,974			259,974	950,000
Transfers out	(2,975,931)	(54,244)	(17,593)	(1,466)	(3,049,234)	
<b>Change in net position</b>	<b>1,637,675</b>	<b>517,280</b>	<b>(2,690,279)</b>	<b>172,725</b>	<b>(362,599)</b>	<b>575,570</b>
<b>Total net position - beginning</b>	<b>193,504,468</b>	<b>60,650,065</b>	<b>21,479,520</b>	<b>234,493</b>	<b>275,868,546</b>	<b>5,721,849</b>
Prior period adjustment	(834,118)	(593,855)	(180,120)	(44,090)	(1,652,183)	
<b>Total net position - ending</b>	<b>\$ 194,308,025</b>	<b>\$ 60,573,490</b>	<b>\$ 18,609,121</b>	<b>\$ 363,128</b>	<b>\$ 273,853,764</b>	<b>\$ 6,297,419</b>
Change in net position per above					\$ (362,599)	
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of certain internal service funds is reported with Business Activities.					3,997,580	
Change in Business-Type Activities in Net Position per Government-Wide Financial Statements					<u>\$ 3,634,981</u>	

*See Notes to Financial Statements.*

**CITY OF SUGAR LAND, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the Year Ended September 30, 2015

	<b>Business-type Activities - Enterprise Funds</b>					<b>Governmental Activities</b>
	<b>Utility Fund</b>	<b>Airport Fund</b>	<b>Surface Water Fund</b>	<b>Solid Waste Fund</b>	<b>Total</b>	<b>Internal Service Funds</b>
<b>Cash Flows from Operating Activities:</b>						
Receipts from customers and users	\$ 29,465,466	\$ 13,873,036	\$ 13,306,696	\$ 5,728,617	\$ 62,373,815	\$ 9,791,616
Receipts from interfund charges for employee benefits						(21,364)
Disbursed for personnel services	(3,528,336)	(2,359,954)	(924,654)	(162,721)	(6,975,665)	(8,758,931)
Disbursed for goods and services	(11,334,258)	(9,217,176)	(5,301,430)	(5,454,759)	(31,307,623)	
<b>Net cash provided (used) by operating activities</b>	<b>14,602,872</b>	<b>2,295,906</b>	<b>7,080,612</b>	<b>111,137</b>	<b>24,090,527</b>	<b>1,011,321</b>
<b>Cash Flows from Non-Capital Financial Activities:</b>						
Transfers from other funds		259,974			259,974	950,000
Transfers to other funds	(2,975,931)	(54,244)	(17,593)	(1,466)	(3,049,234)	(146,000)
Payment to fiscal agent						
Operating grants and contributions		105,531		29,895	135,426	
<b>Net cash provided (used) by noncapital financing activities</b>	<b>(2,975,931)</b>	<b>311,261</b>	<b>(17,593)</b>	<b>28,429</b>	<b>(2,653,834)</b>	<b>804,000</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>						
Proceeds from the sale of equipment						108,805
Proceeds from the sale of bonds	12,195,000	1,670,000			13,865,000	
Interest payments on debt	(3,036,091)	(361,409)	(4,569,221)		(7,966,721)	
Principal payments on debt	(4,831,336)	(672,399)	(2,473,664)		(7,977,399)	
Acquisition and construction of capital assets	(13,868,957)	(1,162,563)	(316,564)	(25,811)	(15,373,895)	(1,076,530)
<b>Net cash used by capital and related financing activities</b>	<b>(9,541,384)</b>	<b>(526,371)</b>	<b>(7,359,449)</b>	<b>(25,811)</b>	<b>(17,453,015)</b>	<b>(967,725)</b>
<b>Cash Flows from Investing Activities</b>						
Purchase of investments	(4,591,927)	(251,684)			(4,843,611)	
Sale of investments			5,980,595		5,980,595	(750,171)
Interest received	345,715	23,793	121,077	192	490,777	25,380
<b>Net cash provided (used) by investing activities</b>	<b>(4,246,212)</b>	<b>(227,891)</b>	<b>6,101,672</b>	<b>192</b>	<b>1,627,761</b>	<b>(724,791)</b>
<b>Net increase (decrease) in cash and equivalents</b>	<b>(2,160,655)</b>	<b>1,852,905</b>	<b>5,805,242</b>	<b>113,947</b>	<b>5,611,439</b>	<b>122,805</b>
Cash and equivalents, beginning of year	16,217,967	4,770,992	7,768,039	27,995	28,784,993	2,207,747
<b>Cash and equivalents, at end of year</b>	<b>\$ 14,057,312</b>	<b>\$ 6,623,897</b>	<b>\$ 13,573,281</b>	<b>\$ 141,942</b>	<b>\$ 34,396,432</b>	<b>\$ 2,330,552</b>
Unrestricted cash and equivalents	\$ 4,457,996	\$ 4,072,500	\$ 3,919,778	\$ 141,942	\$ 12,592,216	\$ 2,330,552
Restricted cash and equivalents	9,599,316	2,551,397	9,653,503		21,804,216	
	<b>\$ 14,057,312</b>	<b>\$ 6,623,897</b>	<b>\$ 13,573,281</b>	<b>\$ 141,942</b>	<b>\$ 34,396,432</b>	<b>\$ 2,330,552</b>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>						
Operating income (loss)	\$ 5,119,829	\$ (194,702)	\$ 1,733,083	\$ 147,963	\$ 6,806,173	\$ (507,755)
<b>Adjustments to reconcile operating income to cash provided by operating activities:</b>						
Depreciation	9,028,016	2,337,312	6,150,524	1,291	17,517,143	955,368
(Increase) decrease in accounts receivable	(126,090)	121,249	68,614	(44,375)	19,398	38,956
(Increase) decrease in inventory	26,165	71,278			97,443	
(Increase) decrease in prepaid items	(5,374)	(2,125)			(7,499)	(781)
(Increase) decrease in deferred outflows relating to pension activities	(77,325)	(55,052)	(16,698)	(4,088)	(153,163)	
Increase (decrease) in accounts payable	805,064	(4,069)	(874,488)	12,821	(60,672)	525,533
Increase (decrease) in salaries payable	69,122	(2,027)	13,496	(3,964)	76,627	
Increase (decrease) in customer deposits	(264,696)	3,993			(260,703)	
Increase (decrease) in net pension liability	28,161	20,049	6,081	1,489	55,780	
<b>Net cash provided by operating activities</b>	<b>\$ 14,602,872</b>	<b>\$ 2,295,906</b>	<b>\$ 7,080,612</b>	<b>\$ 111,137</b>	<b>\$ 24,090,527</b>	<b>\$ 1,011,321</b>
<b>Non-cash Transactions:</b>						
Capital assets contributed to City	\$ 2,249,079	\$ 742,006	\$ 29,100	\$	\$ 3,020,185	

See Notes to Financial Statements.

**CITY OF SUGAR LAND, TEXAS**

**DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL ACTIVITIES**

**COMBINING STATEMENT OF NET POSITION**

September 30, 2015

	<b>Sugar Land 4B Corporation</b>	<b>Sugar Land Town Square Tax Increment Reinvestment Zone No. 1</b>	<b>Sugar Land Reinvestment Zone No. 3</b>	<b>Sugar Land Reinvestment Zone No. 4</b>	<b>Total Component Units</b>
<b>Assets</b>					
<b>Current assets:</b>					
Cash and cash equivalents	\$ 1,764,316	\$ 74,499	\$ 117,591	\$ 557,140	\$ 2,513,546
Investments	3,752,633				3,752,633
Accounts receivable, net of allowance for doubtful accounts	1,048,635	47		2,340	1,051,022
Interest receivable	8,717				8,717
Prepaid items	1,639				1,639
Restricted cash and cash equivalents	1,037,235		9,054		1,046,289
Restricted investments	2,651,981				2,651,981
<b>Total Assets</b>	<b>10,265,156</b>	<b>74,546</b>	<b>126,645</b>	<b>559,480</b>	<b>11,025,827</b>
<b>Deferred Outflows of Resources</b>					
Deferred charge on refunding	153,596				153,596
<b>Total Deferred Outflows of Resources</b>	<b>153,596</b>				<b>153,596</b>
<b>Liabilities</b>					
<b>Current liabilities:</b>					
Accounts payable and accrued expenses	248,961				248,961
Accrued interest	198,603				198,603
<b>Total current liabilities</b>	<b>447,564</b>				<b>447,564</b>
<b>Non-current liabilities:</b>					
Due within one year	1,862,414				1,862,414
Due in more than one year	33,988,973				33,988,973
<b>Total non-current liabilities</b>	<b>35,851,387</b>				<b>35,851,387</b>
<b>Total Liabilities</b>	<b>36,298,951</b>				<b>36,298,951</b>
<b>Net Position</b>					
Restricted:					
Debt service	1,316,782				1,316,782
Development activities		74,546	126,645	559,480	760,671
Unrestricted	(27,196,981)				(27,196,981)
<b>Total Net Position</b>	<b>\$(25,880,199)</b>	<b>\$ 74,546</b>	<b>\$ 126,645</b>	<b>\$ 559,480</b>	<b>\$(25,119,528)</b>

See Notes to Financial Statements.

**CITY OF SUGAR LAND, TEXAS**  
**DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL ACTIVITIES**  
**COMBINING STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2015**

Functions/Programs	Expenses	Program Revenues	Net (Expense) Revenue and Changes in Net Position				Totals
		Operating Grants and Contributions	Sugar Land 4B Corporation	Sugar Land Town Square Tax Increment Reinvestment Zone No. 1	Sugar Land Reinvestment Zone No. 3	Sugar Land Reinvestment Zone No. 4	
Component Unit:							
Sugar Land 4B Corporation	\$ 3,620,448	\$ 152,911	\$ (3,467,537)	\$	\$	\$	\$ (3,467,537)
Sugar Land Town Square Tax Increment Reinvestment Zone No. 1	1,333,145			(1,333,145)			(1,333,145)
Sugar Land Reinvestment Zone No. 3							
Sugar Land Reinvestment Zone No. 4							
	<u>\$ 4,953,593</u>	<u>\$ 152,911</u>	<u>(3,467,537)</u>	<u>(1,333,145)</u>			<u>(4,800,682)</u>
General revenues							
Taxes:							
Property taxes				1,261,020	75,108	434,716	1,770,844
Sales tax			6,474,562				6,474,562
Miscellaneous			196,391	309			196,700
Unrestricted investment earnings			56,384	409	102	330	57,225
Total general revenues			<u>6,727,337</u>	<u>1,261,738</u>	<u>75,210</u>	<u>435,046</u>	<u>8,499,331</u>
Change in net position			3,259,800	(71,407)	75,210	435,046	3,698,649
Net position - beginning			<u>(29,139,999)</u>	<u>145,953</u>	<u>51,435</u>	<u>124,434</u>	<u>(28,818,177)</u>
Net position - ending			<u>\$ (25,880,199)</u>	<u>\$ 74,546</u>	<u>\$ 126,645</u>	<u>\$ 559,480</u>	<u>\$ (25,119,528)</u>

See Notes to Financial Statements.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 1 – Summary of Significant Accounting Policies**

The City of Sugar Land, Texas, (the "City") was incorporated in 1959 and adopted a "Home Rule Charter" in November 1980. The Charter, as amended, provides for a Council-Manager form of government. The Council is composed of a Mayor and six Council Members, two of which are elected at large and four of which are elected by District, each serving two-year terms. The Mayor and Council Members can serve no more than four consecutive regular two-year terms.

The Mayor presides at Council meetings and is entitled to vote on all matters considered by Council. All powers of the City are vested in the Council. Such powers include: appointment of the City Manager, boards, and commissions; adoption of the budget; authorization of bond issues; and adoption of ordinances and resolutions as deemed necessary, desirable, and beneficial to the City.

**A. Financial Reporting Entity**

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by accounting principles generally accepted in the United States of America, these financial statements have been prepared based on considerations regarding the potential for inclusion of component units, which are other legal entities or organizations that are financially accountable to the City. Blended component units, although legally separate entities, are, in substance, part of the government's operations, and as a result, data from these units are combined with data of the primary government. Based on these considerations, the City's financial statements include the Sugar Land Development Corporation as a blended component unit. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide statements to emphasize that they are legally separate from the primary government. Based on these considerations, the City's financial statements include the following discretely presented component units: the Sugar Land 4B Corporation, the Sugar Land Town Square TIRZ 1, the Sugar Land TIRZ 3, and the Sugar Land TIRZ 4. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are; that it has a separately elected Governing body; it is legally separate; and it is fiscally independent of other state and local governments. Additionally prescribed criteria under generally accepted accounting principles include; considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS** *(continued)*

**Note 1 – Summary of Significant Accounting Policies (continued)**

**A. Financial Reporting Entity (continued)**

**Blended Component Unit:**

**Sugar Land Development Corporation**

The Sugar Land Development Corporation (the "Corporation") has been included in the reporting entity as a blended component unit. In 1993, the Corporation was created by the City under the Texas Development Corporation Act of 1979 for the purpose of promoting, assisting, and enhancing economic and development activities on behalf of the City. Effective October 1, 2005, the Board of Directors consists of members of the City Council. In the event of dissolution, net position of the Corporation shall be conveyed to the City. The Corporation is blended rather than discretely presented because the Corporation's governing body is the same as the City's and the management of the City has operational responsibility for the Corporation.

**Discretely Presented Component Units:**

**Sugar Land 4B Corporation**

In 1995, the City of Sugar Land formed the Sugar Land 4B Corporation (the "4B Corporation"), which was created by voters approving an additional sales tax. State law allows the City to collect sales tax to assist in the promotion and development activities of the City. The 4B Corporation, which has one fund, has been included as a discretely presented component unit in the City's financial statements. The Board of Directors is appointed by and serves at the discretion of the City Council. City Council approval is required for annual budgets and bonded debt issuance. In the event of dissolution, net position of the 4B Corporation shall be conveyed to the City.

**Sugar Land Town Square Tax Increment Reinvestment Zone No. 1**

In 2000, the City of Sugar Land formed the Sugar Land Town Square Tax Increment Reinvestment Zone No. 1 (TIRZ 1), which was created under the authority of Tax Increment Financing Act, as codified as Chapter 311 of the Texas Tax Code. TIRZ 1 is a financing and management tool for the City in providing public facilities and infrastructure for a 32-acre multi-use development. TIRZ 1, which has one fund, has been presented as a discretely presented component unit in the City's financial statements. The Board of Directors consists of nine members. Fort Bend County appoints one position, the State Senator appoints one position and the State Representative of the area included within the zone appoints one position. The remaining six members are appointed by City Council. City Council has the authority to approve or disapprove TIRZ 1 projects.

**Sugar Land Reinvestment Zone No. 3**

In 2007, the City of Sugar Land formed the Sugar Land Reinvestment Zone No. 3 (TIRZ 3), which was created under the provisions of the Chapter 311 of the Texas Tax Code for the purposes of promoting and development and redevelopment of a contiguous area within the City. TIRZ 3 is a financial tool with resources from property and sales taxes to be utilized in providing public improvements in TIRZ 3. TIRZ 3, which has one fund, has been presented as a discretely presented component unit in the City's financial statements. The Board of Directors consists of five members. The City Council has the authority to appoint the members; however, Fort Bend County shall be entitled to appoint a member if the County approves a payment to the tax increment fund in which the tax collections will be held. The remaining four members are appointed by City Council. City Council has the authority to approve or disapprove TIRZ 3 projects.



**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS** *(continued)*

**Note 1 – Summary of Significant Accounting Policies** *(continued)*

**A. Financial Reporting Entity** *(continued)*

**Sugar Land Reinvestment Zone No. 4**

In 2009, the City of Sugar Land formed Reinvestment Zone Number Four (TIRZ 4) through Ordinance 1768 under the provisions of Chapter 311 of the Texas Tax Code. The purpose of the Zone is to use tax increment revenue to finance public improvements and facilities necessary to support the development of a high-quality mixed use center with retail, office and entertainment uses. The City will participate at a rate of 50 percent of their ad valorem tax rate above the 2009 tax base over the 30 year life of the Zone. Fort Bend County Municipal Utility District Nos. 138 and 139 have agreed to contribute the same amount as the City via participation agreements in 2011, while Fort Bend County Municipal Utility District No. 137 has yet to formalize a participation agreement. Participation agreements were formalized with Fort Bend County and the Fort Bend County Drainage District in January 2014 with a 2013 tax base. These agreements provide for 50 percent participation Years 2014 through 2029, 30 percent Years 2030 through 2034, and 20 percent Years 2035 through 2039; however, revenues will not be captured until Tax Year 2014 (Fiscal Year 2015). The Board of Directors for TIRZ 4 consists of nine members, with four members appointed by the City, and one member appointed by each of the remaining taxing entities. Board members representing taxing entities that have yet to participate in the Zone have not been officially accepted as full recommending and voting members. The City Council has the final authority to approve or disapprove the TIRZ 4 Final Project Plan. TIRZ 4, which has one fund, has been presented as a discretely presented component unit in the City's financial statements.

Separately issued audited financial statements are not issued for the discretely presented component units. Information on the discretely presented component units is presented as separate combining statements within the basic financial statements of the City (following the basic financial statements for the funds). Unaudited financial statements may be obtained from the City's Finance Department.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information about the City as a whole. These statements include all activities of the primary government and its component units. For the most part, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this general rule are charges between the City's business-type and governmental funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 1 – Summary of Significant Accounting Policies (continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements and all proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. With this measurement focus, all assets, deferred outflows of resources, and all liabilities associated with the operations of these activities are included on the statements of net position. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. Furniture and equipment capitalized in the Proprietary Fund Types are valued at cost.

The governmental fund financial statements are presented on a *current financial resources measurement focus* and *modified accrual basis of accounting*. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Measurable means that the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include sales and use taxes, franchise taxes, charges for services and interest on temporary investments. Property tax levies collected after the fiscal year-end, which would be available to finance current operations, are immaterial and remain deferred. Other receipts become measurable and available when cash is received by the government and are recognized as revenue at that time.

Under modified accrual accounting, expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for interest on general long-term debt, which is recognized when due. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile fund-based financial statements with the governmental column of the government-wide presentation.

In the fund financial statements, the accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Following is a description of the various funds:

Governmental funds are those funds through which most governmental functions are typically financed. The City reports the following major governmental funds:

The *General Fund* is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, administrative services, public works, parks and recreation, community development, and public safety.

The *Debt Service Fund* is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of the City. The primary source of revenue for debt service is local property taxes. The Debt Service Fund is considered a major fund for reporting purposes.

The *Capital Projects Fund* is used to account for the expenditures of resources accumulated from sales tax revenues and the sale of bonds and related interest earnings for capital improvement projects. The Capital Projects Fund is considered a major fund for reporting purposes.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 1 – Summary of Significant Accounting Policies (continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)**

The *Sugar Land Development Corporation Fund* is used to account for the promoting of economic and development activities on behalf of the City. The Sugar Land Development Corporation Fund is a considered a major fund for financial reporting purposes.

The City's Business type activities consist of the following major proprietary funds:

The *Utility Fund* is used to account for the City's water and wastewater services. The primary source of revenue is charges for service and the expenditures relate to operating expenses and capital expenditures for purchases and improvements.

The *Airport Fund* is used to account for the City's airport services. The primary source of revenue is charges for service and the expenditures relate to operating expenses and capital expenditures for purchases and improvements.

The *Surface Water Fund* is used to account for the City's surface water services. The primary source of revenue is charges for service and the expenditures relate to operating expenses and capital expenditures for purchases and improvements.

The *Solid Waste Fund* is used to account for the City's solid waste services. The primary source of revenue is charges for service and the expenditures relate to operating expenses.

The *Enterprise Funds* are used to account for the operations that provide water and wastewater utility services to the public, solid waste disposal operations, and general aviation services. The services are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

Additionally, the City maintains *Internal Service Funds* used to account for the financing of goods or services provided by one department or program to other departments or programs of the City on a cost-reimbursement basis. These funds are presented, in summary form, as part of the proprietary fund financial statements. Since the principal users of the internal services are the City's governmental activities, financial activities of the internal service funds are presented in the governmental activities column when presented at the government-wide level. The costs of these services are allocated to the appropriate function/program (general government, public safety, public works, etc.) in the statement of activities. Goods and services provided by the Internal Service Funds include employee health benefits, fleet replacement and high technology replacement.

The City uses the following classifications to describe the relative spending constraints on the various categories of fund balance. These clearly defined fund balance categories make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

*Non-spendable fund balance* – amounts that are not in spendable form or are legally or contractually required to be maintained intact.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 1 – Summary of Significant Accounting Policies (continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)**

*Restricted fund balance* – amounts that are subject to external restrictions from creditors, grantors, contributors, or laws of other governments.

*Committed fund balance* – amounts constrained for specific purposes as determined by the City itself, using its highest level of decision-making authority (i.e. City Council). To be reported as committed, amounts cannot be used for any other purposes unless the City takes the same highest level of action to remove or change the constraint. The City establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. City Council will approve obligations of funds, such as multi-year contracts, prior to the end of the fiscal year.

*Assigned fund balance* – amounts the City intends to use for a specific purpose that is neither restricted or committed and includes the remaining positive fund balance of all governmental funds except for the General Fund. Balances for encumbrances, other than those committed by City Council, fall into this category. Intent can be established by City Council or delegated to the City Manager. City Council has by Resolution 14-24 authorized the City Manager to assign fund balance.

*Unassigned fund balance* – amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The City will typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

The City will maintain the General Fund unassigned fund balance equivalent to three months of normal recurring operating costs, based on current year budgeted expenditures. If the fund balance exceeds this amount, the amount in excess of policy requirements may be utilized to fund one-time expenditures in the next fiscal year's budget.

**D. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Open encumbrances are reported as committed or assigned fund balances since they do not constitute expenditures or liabilities. Encumbrances outstanding at year-end are appropriately provided for in the subsequent year's budget.

As of September 30, 2015, outstanding purchase orders totaled \$486,674. These were the result of normal operations. As such, City Council has committed \$146,728 and the City Manager has assigned \$339,946 in the General Fund.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS** *(continued)*

**Note 1 – Summary of Significant Accounting Policies** *(continued)*

**E. Cash and Cash Equivalents**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, balances in privately managed public funds investment pools ("TexPool" and "TexSTAR") and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the Proprietary Fund Types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

The City pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the City's investments.

The City pools excess cash of the various individual funds to purchase these investments. These pooled investments are reported in the combined balance sheet as Investments in each fund based on each fund's share of the pooled investments. Interest income is allocated to each respective individual fund, monthly, based on their respective share of investments in the pooled investments.

**F. Investments**

Investments consist of United States (U.S.) Government and Agency securities, certificates of deposits, and repurchase agreements. The City reports all investments at fair value based on quoted market prices at year-end date.

**G. Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Estimated unbilled revenues from the Utility System Fund are recognized at the end of each fiscal year on a pro rata basis. The estimated amount is based on billings during the month following the close of the fiscal year.

**H. Internal Balances**

The effect of interfund activity has been removed from the financial statements, with the exception of amounts between governmental and business-type activities, which are presented as internal balances. Goods and services provided by the City's internal service funds are charged as direct costs to the enterprise funds that received those goods and services.

**I. Inventories and Prepaid Items**

Inventories of the General and Enterprise Funds are valued at the lesser of cost (weighted moving average) or fair value. Inventories for all funds consist of expendable supplies held for consumption, and the cost thereof is recorded as an expense/expenditure at the time the inventory items are issued (consumption method). Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 1 – Summary of Significant Accounting Policies (continued)**

**J. Restricted Assets**

The Enterprise Funds have restricted certain cash and investments for customer deposits, reserve and emergency expenditures, cash restricted for others, and revenue bond debt service. Because of certain bond covenants, the Enterprise Fund is required to maintain prescribed amounts of resources that can be used only to service outstanding debt. The proceeds from debt are restricted for use on capital projects. Additionally, the Sugar Land Development Corporation and the Sugar Land 4B Corporation have restricted certain cash and investments for revenue bond debt service, and because of certain bond covenants, they are required to maintain prescribed amounts of resources that can be used only to service outstanding debt.

**K. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future reporting period and thus, will not be recognized as an outflow of resources (expense) until that time. The City has two items that qualify for reporting in this category.

- Deferred outflows of resources for refunding - Reported in the government-wide statement of net position, this deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred outflows of resources for pension activities - Reported in the government wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actual actuarial experiences. The deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future reporting period and thus, will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualifies for reporting in this category.

- Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes and EMS services arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 1 – Summary of Significant Accounting Policies (continued)**

**K. Deferred Outflows/Inflows of Resources (continued)**

- Deferred inflows of resources for pension activities - Reported in the government wide financial statement of net position, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments. These amounts will be amortized over a closed five year period.

**L. Capital Assets**

Capital assets used in governmental fund types of the government are recorded as expenditures of the General, Special Revenue and Capital Projects Funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Depreciation is recorded on capital assets on a government-wide basis. Property, Plant, and Equipment in the Proprietary Funds of the government are recorded at cost or at the estimated fair value at the date of donation if donated to the City. Property, Plant, and Equipment acquired from Municipal Utility Districts (MUDs) are recorded at the book value of the MUD at the date of dissolution. Major outlays for capital assets and improvements are capitalized in Proprietary Funds as projects are constructed and subsequently depreciated over their estimated useful lives on a straight-line basis at both the proprietary fund and government-wide levels. All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated capital assets are valued at their estimated fair value on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and resulting gain or loss is included in the results of operations.

Depreciation has been provided for plant and equipment with estimated useful lives of three or more years and individual cost in excess of \$5,000 using the straight-line method over the following estimated useful life for the type of assets as follows:

<b>Asset Description</b>	<b>Estimated Useful Life</b>
Vehicles	3 to 7 years
Office furniture and equipment	3 to 20 years
Machinery and equipment	6 to 15 years
Water and wastewater system	10 to 50 years
Airport facilities and improvements	20 to 45 years
Buildings, facilities and land improvements	15 to 45 years
Infrastructure	20 to 50 years
Organizational cost of acquired MUDs	40 years

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS** *(continued)*

**Note 1 – Summary of Significant Accounting Policies** *(continued)*

**M. Compensated Absences**

Employees earn vacation based on years of service with the City. Employees are paid unused vacation time to a maximum of 160 hours upon termination, depending on longevity, but may not otherwise elect to be paid in lieu of vacation.

Sick leave credit accrues at the rate of one day for each month of service. Full-time employees are, upon voluntary termination and in good standing or retirement, paid for unused sick leave to a maximum of 40 or 80 hours of such pay, depending on years of service. The General Fund has typically been used to liquidate governmental activity compensated absences in prior years.

**N. Pensions**

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*.

**O. Estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**P. Deficit Equity**

The Employee Benefits Fund had deficit net position of \$522.6 thousand as of September 30, 2015. The deficit is due to the unfunded OPEB liability.

The Sugar Land 4B Corporation had deficit net position of \$25.9 million as of September 30, 2015. The deficit results from the component unit issuing debt and constructing or purchasing capital assets which are then conveyed to the primary government as required by law.

**Q. Budgets**

Annual appropriated budgets are adopted for the General, Special Revenue, and Debt Service Funds, using the same cash basis of accounting.



**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS** *(continued)*

**Note 1 – Summary of Significant Accounting Policies (continued)**

**R. New Accounting Standards**

In the current fiscal year, the City implemented the following new standards:

- GASB Statement 68, Accounting and Financial Reporting for Pensions (“GASB 68”) establishes accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts or similar arrangements that meet certain criteria. The Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Implementation is reflected in the financial statements, notes to the financial statements and required supplementary information.
- GASB Statement 71, Pension Transition for Contributions Made Subsequent to the Measurement Date (“GASB 71”) amends the transition provisions of GASB 68. GASB 71 requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability. Implementation is reflected in the financial statements and the notes to the financial statements.

**Note 2 - Deposits (Cash) and Investments**

**Authorization for Deposits and Investments**

The Texas Public Funds Investment Act (PFIA), as prescribed in Chapter 2256 of the Texas Government Code, regulates deposits and investment transactions of the City.

In accordance with applicable statutes, the City has a depository contract with an area bank (depository) providing for interest rates to be earned on deposited funds and for banking charges the City incurs for banking services received. The City may place funds with the depository in interest and non-interest bearing accounts. State law provides that collateral pledged as security for bank deposits must have a market value of not less than the amount of the deposits and must consist of: (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas; and/or (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent. City policy requires the collateralization level to be at least 102% of market value of principal and accrued interest.

The Council has adopted a written investment policy regarding the investment of City funds as required by the Public Funds Investment Act (Chapter 2256, Texas Government Code). The investments of the City are in compliance with the City’s investment policy. The City’s investment policy is more restrictive than the PFIA requires. It is the City’s policy to restrict its direct investments to obligations of the U.S. Government or U.S. Government Agencies, fully FDIC insured certificates of deposit, banker’s acceptances, mutual funds, repurchase agreements and local government investment pools. The maximum maturity allowed is three years from date of purchase.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 2 - Deposits (Cash) and Investments (continued)**

**Deposit and Investment Amounts**

The City's investment policy does not allow investments in commercial paper, collateralized mortgage obligations, floating rate investments or swaps.

The City's cash and investments are classified as: Cash and cash equivalents, investments, restricted cash and cash equivalents, and restricted investments. The cash and cash equivalents include cash on hand, deposits with financial institutions, and short-term investments in privately-managed public funds investment pool accounts (TexPool and TexSTAR). The investments which have maturities at purchase greater than three months consist mainly of U.S. Government treasury bills, treasury notes, and other U.S. Government obligations. The restricted cash and investments are assets restricted for specific use. The restricted cash and cash equivalents and restricted investments include cash with financial institutions, TexPool, TexSTAR, and U.S. Government Securities. For better management of cash, the City pools the cash, based on the City's needs, into either deposits in the bank accounts, in short-term investments with TexPool, TexSTAR, or in longer-term investments in U.S. Government Securities. However, each fund's balance of cash and investments is maintained in the books of the City.

**Deposit and Investment Amounts**

The following schedule shows the City's recorded cash and investments at year-end:

	<b>Total Fair Value</b>	
	<b>Primary</b>	<b>Component</b>
	<b>Government</b>	<b>Units</b>
Cash Deposits	\$ 65,583,161	\$ 3,399,451
Certificates of Deposit	19,457,313	1,744,288
Flexible Repurchase Agreements	58,741,084	
Temporary Investments:		
Government securities:		
FHLB	37,690,755	2,151,295
FHLMC	47,067,770	1,001,677
FFCB	15,510,066	500,000
FNMA	3,530,108	507,180
FAMCA	1,500,522	500,174
Public Funds Investment Pools:		
TexPool	1,751,138	160,384
TexSTAR	4,731	
	<u>\$ 250,836,648</u>	<u>\$ 9,964,449</u>

At September 30, 2015, the City reported cash deposits in the amount of \$68,982,612 and the bank balance was \$68,590,845. \$5,607,741 of this total represented cash deposits with a fiscal agent. The City's collateral requirement, in accordance with its investment policy is 102%. Of the bank balance, the entire amount was covered by federal depository insurance or by collateral held by the City's agent in the City's name, which totaled \$70,945,801 as of September 30, 2015.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 2 - Deposits (Cash) and investments (continued)**

Quoted market prices are the basis of the fair value for U.S. Agency securities. The amount of increase or decrease in the fair value of investments during the current year is included in the City's investment income as follows:

	<b>Primary Government</b>	<b>Component Units</b>
Interest income	\$ 1,232,044	\$ 22,009
Unrealized gain (loss) on temporary investments	362,317	35,214
Investment earnings	<u>\$ 1,594,361</u>	<u>\$ 57,223</u>

**Investment Risks:**

**Interest Rate Risk**

At year-end, the City had the following investments subject to interest rate risk disclosure, under U.S. generally accepted accounting principles:

	<b>Fair Value</b>		<b>Weighted Average Maturity (days)</b>
	<b>Primary Government</b>	<b>Component Units</b>	
Cash Deposits	\$ 65,583,161	\$ 3,399,451	1
Certificate of Deposits	19,457,313	1,744,288	463
Flexible Repurchase Agreements	58,741,084		164
Temporary Investments:			
Government securities:			
U.S. Agency Securities	105,299,221	4,660,326	693
Public Funds Investment Pools:			
TexPool	1,751,138	160,384	40
TexSTAR	4,731		46
	<u>\$ 250,836,648</u>	<u>\$ 9,964,449</u>	
<b>Portfolio weighted average maturity (days)</b>	<u>366</u>	<u>406</u>	

The City measures interest rate risk using the weighted average maturity method for the portfolio. The City's investment policy specifies a maximum weighted average maturity of 90 days for public fund investment pools and 1,095 days for securities. The targeted maximum weighted average maturity allowed, based on the stated maturity date, for the portfolio is 548 days or 18 months.

To the extent possible, the City attempts to match investments with anticipated cash flow requirements. The settlement date is considered the date of purchase.

**Local Government Investment Pools**

As of September 30, 2015, the City's investments included TexPool and TexSTAR Investment Pools. The investment pool's investments are not evidenced by securities that exist in physical or book entry form and, accordingly, do not have custodial risk.

TexPool policies require that local government deposits be used to purchase investments authorized by the Public Funds Investment Act (PFIA) of 1987, as amended. The Texas State Comptroller of Public Accounts has oversight responsibility for TexPool.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 2 - Deposits (Cash) and Investments (continued)**

**Local Government Investment Pools (continued)**

The value of the City's portions in TexPool is the same as the value of the shares. These external pooled funds operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The external pooled funds use amortized cost rather than market value to report net assets to compute share price, such funds have daily liquidity.

TexSTAR is administered by First Southwest Asset Management, Inc. and JPMorgan Chase. TexSTAR is a local government investment cooperative created under the Interlocal Cooperation Act specifically tailored to meet state and local government investment objectives of preservation of principal, daily liquidity and competitive yield. The fund maintains a maturity of 60 days or less, with a maximum of 13 months for any individual security. The fund seeks to maintain a constant dollar objective and fulfills all requirements of Texas PFIA for local government investment pools.

**Concentration of Credit Risk**

The City's investment policy allows investments by type based on the following diversification requirements:

<u>Investment Type</u>	<u>Maximum Investment %</u>
Repurchase Agreements	up to 50%
Certificates of Deposit	up to 50%
U.S. Treasury Bills/Notes	up to 100%
Other U.S. Government Securities	up to 75%
Authorized Investment Pools	up to 75% total
Bankers' Acceptances	up to 25%
No Load Money Market Mutual Funds	up to 50%
No Load Mutual Funds	up to 10% total

The City had investments in U.S. Agency securities that exceeded five percent of the total investment portfolio at year-end. The City investment policy allows these investment levels for the portfolio.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percentage of Total Portfolio</u>
Cash Deposits	\$ 68,982,612	26.5%
Certificates of Deposit	21,201,601	8.1%
Flexible Repurchase Agreements	58,741,084	22.5%
Temporary Investments:		
Government securities:		
FHLB	39,842,050	15.3%
FHLMC	48,069,447	18.4%
FFCB	16,010,066	6.1%
FNMA	4,037,288	1.5%
FAMCA	2,000,696	0.8%
Total government securities	109,959,547	42.2%
Public Funds Investment Pools:		
TexPool	1,911,522	0.7%
TexSTAR	4,731	0.0%
	<u>\$ 260,801,097</u>	<u>100.0%</u>

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 2 - Deposits (Cash) and Investments (continued)**

**Credit Risk**

At year-end balances in TexPool and TexSTAR, privately managed public funds investment pools, were rated AAAm by Standard & Poor's.

Securities from Federal Home Loan Banks (FHLB), Federal Home Loan Mortgage Corporation (FHLMC) and Federal Farm Credit Banks (FFCB) were all rated AA+ by Standard & Poor's, AAA by Fitch Ratings, and Aaa by Moody's Investors Service.

All credit ratings meet acceptable levels required by guidelines prescribed by both the PFIA and the City's investment policy. A public fund investment pool must be continuously rated no lower than AAA or AAAm or no lower than investment grade by at least one nationally recognized rating service and have a weighted average maturity no greater than 90 days. Investments with minimum required ratings do not qualify as authorized investments during the period the investment does not have the minimum rating.

**Restricted Assets**

The Capital Projects Fund and Enterprise Funds have restricted certain cash and cash equivalents and investments for customer deposits, reserve and emergency expenditures, cash restricted for others, and revenue bond debt service. Because of certain bond covenants, the Enterprise Fund is required to maintain prescribed amounts of resources that can be used only to service outstanding debt. Some of the proceeds from debt or from funds received from acquisition of Municipal Utility Districts are restricted for use on capital projects.

The amounts of the restricted cash and cash equivalents and investments and their respective purpose are as follows:

<b>Restricted Purpose</b>	<b>Cash</b>	<b>Investments</b>
Restricted for Capital Projects	\$ 9,369,817	\$ 46,846,081
Restricted for Debt Service	17,236,922	3,405,250
Restricted for Other Purposes	2,072,823	
Restricted for Customer Deposits	540,152	
<b>Total</b>	<b>\$ 29,219,714</b>	<b>\$ 50,251,331</b>

Additionally, the Sugar Land 4B Corporation has restricted certain cash and investments for revenue bond debt service, and because of certain bond covenants, they are required to maintain prescribed amounts of resources that can be used only to service outstanding debt.

**Note 3 - Receivables**

**Property Taxes**

Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. The Central Appraisal District ("CAD") of Fort Bend County, Texas, establishes appraised values, and performs billing and collection of the City's tax levies. Taxes are levied by the City Council based on the appraised values and operating needs of the City.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 3 - Receivables (continued)**

Receivables at September 30, 2015, consist of the following:

**Primary Government:**

**Governmental Funds:**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Sugar Land Development Corporation Fund</b>	<b>Non -Major Governmental Funds</b>	<b>Total</b>
Property taxes, including						
penalties and interest	\$ 708,906	\$ 236,107	\$	\$	\$	\$ 945,013
Sales and other taxes	6,865,773					6,865,773
Fines and forfeitures	1,203,937			1,048,635	3,870,576	6,123,148
Interest	50,128	3,377	55,814	26,144	14,721	150,184
Other	1,061,327		64,331		727,273	1,852,931
Allowance for uncollectibles	(1,617,975)				(940,550)	(2,558,525)
<b>Total</b>	<b>\$8,272,096</b>	<b>\$ 239,484</b>	<b>\$ 120,145</b>	<b>\$ 1,074,779</b>	<b>\$ 3,672,020</b>	<b>\$13,378,524</b>

**Proprietary Funds:**

	<b>Utilities Fund</b>	<b>Airport Fund</b>	<b>Surface Water Fund</b>	<b>Solid Waste Fund</b>	<b>Internal Service Funds</b>	<b>Total</b>
Receivables						
Customer accounts	\$3,782,584	\$ 126,909	\$ 628,772	\$ 605,110	\$	\$ 5,143,375
Interest	78,893	3,420	17,770		9,026	109,109
Other				149,750	49,849	199,599
Allowance for uncollectibles	(301,210)	(12,456)	(21,000)	(50,954)		(385,620)
<b>Total</b>	<b>\$3,560,267</b>	<b>\$ 117,873</b>	<b>\$ 625,542</b>	<b>\$ 703,906</b>	<b>\$ 58,875</b>	<b>\$ 5,066,463</b>

**Component Units:**

	<b>Sugar Land 4B Corporation</b>	<b>Sugar Land TIRZ #1</b>	<b>Sugar Land TIRZ #4</b>	<b>Total</b>
Sales and other taxes	\$ 1,048,635	\$ 47	\$ 2,340	\$ 1,051,022
Interest	8,717			8,717
<b>Total</b>	<b>\$ 1,057,352</b>	<b>\$ 47</b>	<b>\$ 2,340</b>	<b>\$ 1,059,739</b>

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 4 - Capital Assets**

A summary of changes in the primary government's capital assets for the year ended September 30, 2015, follows:

**Primary Government**

	Balance September 30, 2014	Increases	(Decreases)	Transfers	Balance September 30, 2015
<b>Governmental Activities:</b>					
<b>Capital assets not being depreciated:</b>					
Land	\$ 83,840,186	\$	\$	\$	\$ 83,840,186
Construction in progress	21,926,925	56,314,366	(11,909,064)		66,332,227
Intangibles	1,455,792	490,587			1,946,379
<b>Total capital assets not being depreciated</b>	<b>107,222,903</b>	<b>56,804,953</b>	<b>(11,909,064)</b>		<b>152,118,792</b>
<b>Other capital assets:</b>					
Infrastructure	416,852,633	13,209,538		(215,368)	429,846,803
Buildings and improvements	127,766,308	972,588	(670,172)	215,368	128,284,092
Equipment and furniture	36,335,420	6,803,032	(1,436,892)		41,701,560
Intangibles	706,359				706,359
<b>Total other capital assets</b>	<b>581,660,720</b>	<b>20,985,158</b>	<b>(2,107,064)</b>		<b>600,538,814</b>
<b>Less accumulated depreciation for:</b>					
Infrastructure	(221,266,073)	(9,335,470)		90,455	(230,511,088)
Buildings and improvements	(31,762,654)	(3,974,789)	413,632	(90,455)	(35,414,266)
Equipment and furniture	(23,802,445)	(2,825,321)	1,422,378		(25,205,388)
Intangibles	(52,679)	(78,453)			(131,132)
<b>Total accumulated depreciation</b>	<b>(276,883,851)</b>	<b>(16,214,033)</b>	<b>1,836,010</b>		<b>(291,261,874)</b>
Other capital assets, net	304,776,869	4,771,125	(271,054)		309,276,940
<b>Totals</b>	<b>\$ 411,999,772</b>	<b>\$ 61,576,078</b>	<b>\$ (12,180,118)</b>	<b>\$</b>	<b>\$ 461,395,732</b>
	Balance September 30, 2014	Increases	(Decreases)	Transfers	Balance September 30, 2015
<b>Business-type Activities:</b>					
<b>Capital assets not being depreciated:</b>					
Land	\$ 19,974,051	\$	\$	\$	\$ 19,974,051
Construction in progress	9,747,233	16,978,989	(3,841,303)		22,884,919
Intangibles	289,549	860,726			1,150,275
<b>Total capital assets not being depreciated</b>	<b>30,010,833</b>	<b>17,839,715</b>	<b>(3,841,303)</b>		<b>44,009,245</b>
<b>Other capital assets:</b>					
Infrastructure	488,170,976	3,939,071			492,110,047
Buildings and improvements	18,969,771	504,651			19,474,422
Equipment and furniture	9,041,620	244,712	(2,500)		9,283,832
Intangibles	127,704	891,308			1,019,012
<b>Total other capital assets</b>	<b>516,310,071</b>	<b>5,579,742</b>	<b>(2,500)</b>		<b>521,887,313</b>
<b>Less accumulated depreciation for:</b>					
Infrastructure	(145,256,797)	(16,161,757)			(161,418,554)
Buildings and improvements	(5,370,463)	(702,565)			(6,073,028)
Equipment and furniture	(4,047,524)	(574,597)	2,500		(4,619,621)
Intangibles	(19,156)	(78,227)			(97,383)
<b>Total accumulated depreciation</b>	<b>(154,693,940)</b>	<b>(17,517,146)</b>	<b>2,500</b>		<b>(172,208,586)</b>
Other capital assets, net	361,616,131	(11,937,404)			349,678,727
<b>Totals</b>	<b>\$ 391,626,964</b>	<b>\$ 5,902,311</b>	<b>\$ (3,841,303)</b>	<b>\$</b>	<b>\$ 393,687,972</b>

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 4 – Capital Assets (continued)**

Depreciation was charged to programs as follows:

General government	\$ 793,267
Administrative services	1,333,630
Public works	10,708,267
Parks and recreation	1,098,955
Community development	118,724
Public safety-Police	316,290
Public safety-Fire	805,631
Public safety-EMS	83,903
In addition, depreciation on capital assets held by the City's internal service funds is charged to various functions based on their usage of the assets	955,366
<b>Total Governmental Activities</b>	<b>\$ 16,214,033</b>
Water and wastewater	\$ 9,029,310
Airport	2,337,312
Surface Water	6,150,524
<b>Total Business-Type Activities</b>	<b>\$ 17,517,146</b>

The City has active construction projects as of September 30, 2015. The projects include various improvements to streets, parks and facilities as well as airport and utility improvements. At year-end, the City's contractual commitments on projects were as follows:

<b>Project Description</b>	<b>Total In Progress</b>	<b>Remaining Commitment</b>
Governmental Activities:		
Drainage improvement	\$ 4,724,078	\$ 829,408
Park improvement	11,633,234	7,038,491
Municipal improvements	38,081,573	56,119,702
Street improvement	8,633,030	9,731,164
Traffic improvement	3,260,312	37,223
Total Governmental	66,332,227	73,755,988
Business-type Activities:		
Facilities	3,458,194	983,847
Water and wastewater improvements	16,018,602	8,196,338
Airport improvement	2,220,862	5,877
Surface Water	1,187,261	372,523
Total Business-type	22,884,919	9,558,585
<b>Totals</b>	<b>\$ 89,217,146</b>	<b>\$ 83,314,573</b>



**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS** *(continued)*

**Note 5 - Long-Term Debt**

**A. Governmental Activity Debt**

The City issues general obligation bonds and certificates of obligation and upon dissolution of Municipal Utility Districts, assumes unlimited tax and revenue obligations. The assumed obligations were used to acquire and construct major capital facilities. General obligation bonds, certificates of obligation, and assumed obligations from dissolved areas are for both governmental and business-type activities. The bonds are reported in the Proprietary Funds only if they are expected to be repaid from proprietary revenues. The general long-term bonds, certificates of obligation and assumed obligations are paid through the Debt Service Fund from tax revenues.

The Sugar Land Development Corporation issued \$7,375,000 of Sales Tax Revenue Refunding Bonds, Series 2014 in October 2014. Proceeds from the sale of the Bonds will be used to refund a portion of the Corporation's outstanding debt in order to lower the overall debt service requirements of the Corporation and to pay the costs of issuance of the bonds.

The City issued \$21,565,000 of General Obligation Refunding Bonds, Series 2014 dated November 1, 2014. Proceeds from the sale of the bonds will be used to refund a portion of outstanding ad valorem tax-supported obligations and to pay the costs associated with the issuance of the bonds.

The City issued \$9,980,000 of Combination Tax and Revenue Certificates of Obligation, Series 2014 dated December 1, 2014. Proceeds from the sale of the certificates will be used for the construction of and equipment for a performing arts center, plaza and parking facilities and to pay the costs associated with the issuance of the certificates.

The City issued \$27,130,000 of Combination Tax and Revenue Certificates of Obligation, Series 2014A (Taxable) dated December 1, 2014. Proceeds from the sale of the certificates will be used for the construction of and equipment for a performing arts center and parking facilities and to pay the costs associated with the issuance of the certificates.

The Sugar Land Development Corporation issued \$38,265,000 of Sales Tax Revenue Bonds, Series 2014 in December 2014. Proceeds from the sale of the bonds will be used for the construction of and equipment for a performing arts center and parking facilities, funding the debt service reserve fund and to pay the costs of issuance of the bonds.

The City issued \$13,010,000 of General Obligation Bonds, Series 2015 and \$15,005,000 of Combination Tax and Revenue Certificates of Obligation, Series 2015 dated April 15, 2015. Proceeds from the sale of the bonds will be used for park and festival site improvements, hike and bike trails and to pay the costs associated with the issuance of the bonds. Proceeds from the sale of the certificates will be used for street and traffic improvements, improvements to municipal facilities, including City municipal court and public safety facilities, and the acquisition of approximately 25 acres of land, pedestrian and bicycle improvements in Town Center, improvements to the City's fire station #2, drainage improvements and the cost of professional services incurred in connection therewith.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 5 - Long-Term Debt**

**A. Governmental Activity Debt**

In October 2014, the City issued a \$5.7 million tax note to fund the purchase of ambulances and fire trucks. The note was issued for seven years at the rate of 1.81%. The principal and interest payments are calculated based on the following draw schedule:

<b>Date</b>	<b>Draw Amount</b>
10/9/2014	\$ 2,760,000
8/15/2015	750,000
8/15/2016	1,350,000
8/15/2018	840,000
	<u>\$ 5,700,000</u>

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended September 30, 2015. In general, the City uses the General and Debt Service funds to liquidate governmental long-term liabilities. Sales tax revenue bonds are serviced through sales tax revenues reported in the Sugar Land Development Corporation special revenue fund. Compensated absences are typically liquidated by the General Fund.

	<b>Balance September 30, 2014</b>	<b>Increases</b>	<b>(Decreases)</b>	<b>Balance September 30, 2015</b>	<b>Amounts Due Within One Year</b>
<b>Bonds payable:</b>					
General obligation bonds	\$ 58,440,000	\$ 34,575,000	\$ (26,825,000)	\$ 66,190,000	\$ 7,125,000
Annexed utility district bonds	11,665,000		(5,395,000)	6,270,000	550,000
Certificates of obligation	63,231,995	52,115,000	(4,067,601)	111,279,394	4,187,601
Sales tax revenue bonds	15,345,000	45,640,000	(8,585,000)	52,400,000	1,745,000
Tax note		3,510,000	(389,325)	3,120,675	505,794
Issuance premiums/discounts	1,731,326	11,469,875	(1,146,839)	12,054,362	
	<u>150,413,321</u>	<u>147,309,875</u>	<u>(46,408,765)</u>	<u>251,314,431</u>	<u>14,113,395</u>
<b>Other liabilities:</b>					
Net pension liability	16,572,820	426,884		16,999,704	
Obligations under capital leases	954,273		(342,456)	611,817	351,646
Other Post-Employment Benefit Obligation (OPEB)	1,251,059	79,728		1,330,787	
Obligation to State	762,491		(363,925)	398,566	163,506
Compensated absences	2,515,401	3,465,001	(3,286,905)	2,693,497	75,000
<b>Total Governmental Activities</b>	<u>\$ 172,469,366</u>	<u>\$ 151,281,488</u>	<u>\$ (50,402,051)</u>	<u>\$ 273,348,803</u>	<u>\$ 14,703,547</u>

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

The full amount estimated to be required for debt service on general obligation debt is provided by (1) the debt service portion of the tax levy; (2) interest earned in the Debt Service Fund; and (3) transfers from the Utility Enterprise Fund. Transfers from the Enterprise Funds are approved at the discretion of City Council and are not intended to service a specific bond series.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 5 - Long-Term Debt**

**A. Governmental Activity Debt**

A summary of the terms of general obligation bonds and certificates of obligation, as of September 30, 2015, follows:

Series	Original Issue	Matures	Interest Rate (%)	Debt Outstanding
<b>General Obligation Bonds</b>				
Series 2008 general obligation bonds	\$ 6,925,000	2028	4.0-5.0	\$ 5,245,000
Series 2009 general obligation & refunding	4,520,000	2016	3.0-3.25	125,000
Series 2010 general obligation & refunding	22,290,000	2026	2.0-5.0	16,050,000
Series 2010 general obligation bonds	2,435,000	2030	3.0-4.125	2,045,000
Series 2012 general obligation & refunding	9,440,000	2021	2.0-4.0	4,855,000
Series 2012A general obligation refunding	4,295,000	2025	2.0-4.0	3,725,000
Series 2014 general obligation refunding	21,565,000	2026	2.0-5.0	21,135,000
Series 2015 general obligation bonds	13,010,000	2035	2.125-4.0	13,010,000
<b>Total General Obligation Bonds</b>				<b>\$ 66,190,000</b>
<b>Certificates of Obligation</b>				
Series 2008 Tax and revenue certificates of obligation	\$ 4,460,000	2028	3.75-5.0	\$ 3,380,000
Series 2009 Tax and revenue certificates of obligation	17,370,000	2029	2.0-4.5	12,954,394
Series 2010 Tax and revenue certificates of obligation	23,405,000	2030	2.5-4.0	19,660,000
Series 2013 Tax and revenue certificates of obligation	24,440,000	2033	2.5-4.0	23,170,000
Series 2014 Tax and revenue certificates of obligation	9,980,000	2040	3.25-6.0	9,980,000
Series 2014A Tax and revenue certificates of obligation - Taxable	27,130,000	2046	3.125-4.50	27,130,000
Series 2015 Tax and revenue certificates of obligation	15,005,000	2035	3.0-4.0	15,005,000
<b>Total Certificates of Obligation</b>				<b>\$ 111,279,394</b>
<b>Series 2014 Tax Note</b>	\$ 5,700,000	2021	1.81	\$ 3,120,675
<b>Sales Tax Revenue Bonds</b>				
Series 2013 Sales Tax Revenue Bonds	\$ 7,200,000	2038	4.25-4.375	\$ 6,805,000
Series 2014 Sales Tax Revenue Refunding Bonds	7,375,000	2025	2.0-5.0	7,330,000
Series 2014 Sales Tax Revenue Bonds	38,265,000	2040	3.75-6.75	38,265,000
<b>Total Sales Tax Revenue Bonds</b>				<b>\$ 52,400,000</b>
<b>Annexed Utility District Bonds</b>				
<b>Fort Bend County Municipal Utility District No. 21</b>				
Series 2008 Unlimited Tax Refunding	\$ 4,000,000	2024	3.5-4.0	\$ 3,695,000
Series 2012 Unlimited Tax Refunding	4,045,000	2021	2.0-3.0	2,575,000
<b>Total Annexed Utility District Bonds</b>				<b>\$ 6,270,000</b>

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 5 - Long-Term Debt (continued)**

**A. Governmental Activity Debt (continued)**

The annual requirements to amortize governmental activity general obligation bonds and certificates of obligation outstanding at September 30, 2015, are as follows:

Year Ending Sept. 30	Governmental Activities			
	General Obligation Bonds		Certificates of Obligation	
	Principal	Interest	Principal	Interest
2016	\$ 7,125,000	\$ 2,666,481	\$ 4,187,601	\$ 4,174,516
2017	7,165,000	2,386,988	4,287,601	4,033,128
2018	6,965,000	2,085,944	4,887,601	3,875,346
2019	5,030,000	1,827,213	5,110,328	3,695,395
2020	5,220,000	1,596,938	4,972,525	3,515,851
2021	5,260,000	1,350,884	5,127,525	3,336,353
2022	5,060,000	1,107,344	5,292,525	3,147,355
2023	4,805,000	873,844	5,472,525	2,948,242
2024	4,605,000	660,331	5,352,525	2,744,443
2025	3,850,000	476,906	5,502,652	2,537,425
2026	2,370,000	349,872	5,662,652	2,324,126
2027	1,350,000	276,638	5,822,778	2,101,186
2028	1,410,000	216,213	5,977,778	1,865,600
2029	910,000	170,788	5,797,778	1,628,432
2030	945,000	140,994	5,095,000	1,414,633
2031	775,000	114,125	3,350,000	1,254,221
2032	800,000	90,500	3,430,000	1,124,812
2033	825,000	66,125	3,505,000	994,468
2034	850,000	40,469	2,365,000	887,368
2035	870,000	13,594	2,445,000	800,006
2036			1,490,000	724,343
2037			1,555,000	660,488
2038			1,630,000	593,705
2039			1,700,000	523,895
2040			1,780,000	450,950
2041			1,190,000	388,055
2042			1,240,000	335,810
2043			1,295,000	281,308
2044			1,350,000	224,440
2045			1,405,000	165,208
2046			1,465,000	102,038
2047			1,535,000	34,538
	<u>\$ 66,190,000</u>	<u>\$ 16,512,188</u>	<u>\$ 111,279,394</u>	<u>\$ 52,887,680</u>

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 5 - Long-Term Debt (continued)**

**A. Governmental Activity Debt (continued)**

The annual requirements to amortize governmental activity dissolved utility district bonds and the tax note outstanding at September 30, 2015, are as follows:

Year Ending Sept. 30	Governmental Activities			
	Annexed Utility District Bonds		Tax Note	
	Principal	Interest	Principal	Interest
2016	\$ 550,000	\$ 206,028	\$ 505,794	\$ 54,206
2017	540,000	189,128	771,712	68,288
2018	535,000	172,478	785,743	54,257
2019	670,000	153,331	1,066,024	53,976
2020	695,000	131,150	1,085,406	34,594
2021	725,000	107,838	1,095,996	16,671
2022	805,000	80,968		
2023	850,000	50,138		
2024	900,000	17,100		
2025				
2026				
2027				
	<u>\$ 6,270,000</u>	<u>\$ 1,108,156</u>	<u>\$ 5,310,675</u>	<u>\$ 281,993</u>

**Sales Tax Revenue Bonds**

The annual requirements to amortize governmental activity sales tax revenue bonds outstanding payable from sales tax receipts collected by the SLDC at September 30, 2015, are as follows:

Year Ending Sept. 30	Blended Component Unit	
	Sales Tax Revenue Bonds	
	Principal	Interest
2016	\$ 1,745,000	\$ 2,480,746.3
2017	1,790,000	2,395,290
2018	1,845,000	2,304,296
2019	1,900,000	2,210,621
2020	1,980,000	2,108,984
2021	2,055,000	1,998,721
2022	2,140,000	1,884,090
2023	2,225,000	1,768,821
2024	2,315,000	1,644,571
2025	2,420,000	1,512,268
2026	1,610,000	1,402,659
2027	1,675,000	1,311,318
2028	1,740,000	1,216,346
2029	1,815,000	1,122,215
2030	1,885,000	1,028,808
2031	1,965,000	933,456
2032	2,045,000	835,944
2033	2,135,000	734,106
2034	2,225,000	639,431
2035	2,330,000	552,075
2036	2,450,000	457,600
2037	2,575,000	355,478
2038	2,705,000	248,172
2039	2,355,000	146,100
2040	2,475,000	49,500
	<u>\$ 52,400,000</u>	<u>\$ 31,341,618</u>

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 5 - Long-Term Debt (continued)**

**A. Governmental Activity Debt (continued)**

**Capital Lease Obligations**

The City has entered into certain capital lease agreements in order to purchase fire equipment, public safety and management information systems equipment. The capital lease obligations are paid out of the Debt Service Fund.

Following is a summary of future lease payments due on this equipment:

	<u>Fiscal Year</u>	<u>Obligations</u>
	2016	\$ 365,050
	2017	264,945
Total		629,995
Less interest portion		(18,178)
Obligations under Capital Leases		<u>\$ 611,817</u>

Capital assets acquired by these leases consist of equipment with a historical value of approximately \$4.6 million and accumulated depreciation of approximately \$1.6 million.

**Obligations to State - Refund of Sales Tax**

During the 1999 fiscal year, the Texas State Comptroller of Public Accounts notified the City of Sugar Land, the Sugar Land Development Corporation, and the Sugar Land 4B Corporation, that the State had remitted \$591,620 in sales tax receipts to the City which were not collected within the City. The State requested the amount be returned to the State. The City had allocated the sales tax to the Corporations in accordance with the proper sales tax rates. The City settled with the State to repay the State in annual installments of \$19,721 starting October 1, 1999, over a 30-year period without interest.

During the 2012 fiscal year, the State identified approximately \$797,757 in overpayments from prior years, which the State has allowed to be repaid over a four-year period, which will end June 2016.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 5 - Long-Term Debt (continued)**

**B. Business Activity Debt**

The City issued \$1,670,000 of Combination Tax and Revenue Certificates of Obligation, Series 2015 dated April 15, 2015. Proceeds from the sale of the certificates will be used for parallel taxiway relocation and roadway improvements at the City's airport.

The City issued \$15,750,000 of Waterworks and Sewer System Revenue and Refunding Bonds, Series 2015 dated May 15, 2015. Proceeds from the sale of the bonds will be used for extensions and improvements to the City's waterworks and sanitary sewer system, to refund certain obligations of the City for debt service savings and to pay certain costs incurred in connection with the issuance of the bonds.

The following is a summary of changes in the City's total business-type long-term liabilities for the year ended September 30, 2015.

	Balance September 30, 2014	Increases	(Decreases)	Balance September 30, 2015	Amounts Due Within One Year
<b>Bonds payable:</b>					
Water and wastewater revenue bonds	\$ 86,180,000	\$ 15,750,000	\$ (8,950,000)	\$ 92,980,000	\$ 5,575,000
General obligation bonds	5,510,000		(430,000)	5,080,000	440,000
Certificates of obligation	98,003,005	1,670,000	(2,152,399)	97,520,606	2,277,399
Issuance premiums/discounts	1,222,767	1,316,452	(260,788)	2,278,431	
	<u>190,915,772</u>	<u>18,736,452</u>	<u>(11,793,187)</u>	<u>197,859,037</u>	<u>8,292,399</u>
<b>Other liabilities:</b>					
Net pension liability	2,165,536	55,780		2,221,316	
Compensated absences	276,170	411,038	(382,391)	304,817	10,000
<b>Total Business-type Activities</b>	<u>\$ 193,357,478</u>	<u>\$ 19,203,270</u>	<u>\$ (12,175,578)</u>	<u>\$ 200,385,170</u>	<u>\$ 8,302,399</u>

A summary of the terms of certificates of obligation and revenue bonds recorded in the Enterprise Funds as of September 30, 2015 follows:

Series	Original Issue	Matures	Interest Rate (%)	Debt Outstanding
<b>Utility and Surface Water Funds</b>				
Series 2008 Waterworks and Sewer System Revenue Bonds	\$ 14,780,000	2028	3.5-5.0	\$ 11,150,000
Series 2009 Waterworks and Sewer System Revenue Refunding Bonds	8,565,000	2018	2.75-3.50	1,995,000
Series 2009 Waterworks and Sewer System Revenue Bonds	29,490,000	2029	2.0-4.7	22,430,000
Series 2011 Combination Tax and Revenue Certificates of Obligation	98,810,000	2041	2.0-5.0	91,500,000
Series 2012 Waterworks and Sewer System Revenue Bonds	21,925,000	2031	1.5-3.25	19,555,000
Series 2012A Waterworks and Sewer System Revenue Refunding Bonds	9,025,000	2030	2.0-4.0	7,535,000
Series 2013 Waterworks and Sewer System Revenue Bonds	15,765,000	2033	2.5-4.0	14,565,000
Series 2015 Waterworks and Sewer System Revenue Refunding Bonds	15,750,000	2035	3.0-5.0	15,750,000
<b>Total Utility and Surface Water Funds Debt</b>				<u>\$ 184,480,000</u>
<b>Airport Fund</b>				
Series 2007 Combination Tax and Revenue Certificates of Obligation	\$ 4,400,000	2028	4.0-4.625	\$ 3,325,000
Series 2010 Combination Tax and Revenue Certificates of Obligation	450,000	2030	2.0-4.5	335,605
Series 2012A General Obligation Refunding	5,610,000	2025	2.0-4.0	5,080,000
Series 2013 Tax and revenue certificates of obligation	730,000	2033	2.5-4.0	690,000
Series 2015 Tax and revenue certificates of obligation	1,670,000	2035	3.0-4.0	1,670,000
<b>Total Airport Fund Debt</b>				<u>\$ 11,100,605</u>
<b>Total Enterprise Funds Long-Term Debt</b>				<u>\$ 195,580,605</u>

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 5 - Long-Term Debt (continued)**

**B. Business Activity Debt (continued)**

The annual requirements to amortize business-type activity revenue bonds, certificates of obligation, and general obligation bonds outstanding at September 30, 2015, are as follows:

Year Ending Sept. 30	Business-Type Activities					
	Revenue Bonds		Certificates of Obligation		General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 5,575,000	\$ 3,383,656	\$ 2,277,399	\$ 4,275,491	\$ 440,000	\$ 176,150
2017	5,700,000	3,208,494	2,352,399	4,203,045	450,000	165,000
2018	5,855,000	3,021,544	2,432,399	4,128,770	460,000	151,350
2019	5,370,000	2,827,469	2,539,672	4,051,522	475,000	137,325
2020	5,545,000	2,644,119	2,637,475	3,971,015	490,000	120,400
2021	5,430,000	2,462,294	2,742,475	3,884,279	515,000	100,300
2022	5,640,000	2,269,569	2,852,475	3,781,811	535,000	79,300
2023	5,530,000	2,055,394	2,997,475	3,665,318	550,000	57,600
2024	5,755,000	1,840,119	3,127,475	3,543,219	570,000	35,200
2025	5,985,000	1,634,236	3,247,348	3,415,986	595,000	11,900
2026	6,235,000	1,392,095	3,382,348	3,283,530		
2027	6,140,000	1,131,995	3,527,222	3,130,007		
2028	6,405,000	882,026	3,682,222	2,966,305		
2029	5,480,000	627,969	3,492,222	2,812,432		
2030	3,525,000	423,194	3,630,000	2,646,804		
2031	3,420,000	307,844	3,790,000	2,472,861		
2032	1,820,000	190,138	3,975,000	2,299,888		
2033	1,885,000	124,163	4,165,000	2,108,359		
2034	830,000	54,763	4,335,000	1,898,050		
2035	855,000	27,788	4,555,000	1,677,909		
2036			4,660,000	1,454,438		
2037			4,895,000	1,227,506		
2038			5,145,000	982,625		
2039			5,410,000	718,750		
2040			5,690,000	441,250		
2041			5,980,000	149,500		
	<u>\$ 92,980,000</u>	<u>\$ 30,508,865</u>	<u>\$ 97,520,606</u>	<u>\$ 69,190,671</u>	<u>\$ 5,080,000</u>	<u>\$ 1,034,525</u>

**C. Component Unit Long-Term Debt**

The following is a summary of the long-term debt transactions of the Sugar Land 4B Corporation for the year ended September 30, 2015:

	Balance September 30, 2014	Increases	(Decreases)	Balance September 30, 2015	Amounts Due Within One Year
<b>Bonds payable:</b>					
Sales tax revenue bonds	\$ 37,605,000	\$	\$ (1,780,000)	\$ 35,825,000	\$ 1,840,000
Issuance premiums/discounts	(22,355)		5,019	(17,336)	
<b>Other liabilities:</b>					
Obligation to State	94,770		(51,045)	43,723	22,414
	<u>\$ 37,677,415</u>	<u>\$</u>	<u>\$ (1,826,026)</u>	<u>\$ 35,851,387</u>	<u>\$ 1,862,414</u>



**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 5 - Long-Term Debt (continued)**

**C. Component Unit Long-Term Debt**

A summary of the terms of the revenue bonds recorded as long-term liabilities in the Sugar Land 4B Corporation as of September 30, 2015, follows:

<b>Series</b>	<b>Original Issue</b>	<b>Matures</b>	<b>Interest Rate (%)</b>	<b>Debt Outstanding</b>
Series 2005 Sales Tax Revenue Bonds	\$ 5,530,000	2025	4.0-6.0	\$ 2,360,000
Series 2010 Sales Tax Revenue Refunding Bonds	9,195,000	2022	2.0-3.7	5,995,000
Series 2011 Sales Tax Revenue Bonds	30,145,000	2036	4.0-5.0	27,470,000
<b>Total Component Unit Long-Term Debt</b>				<b>\$ 35,825,000</b>

The annual requirements to amortize component unit revenue bonds outstanding at September 30, 2015, are as follows:

<b>Year Ending Sept. 30</b>	<b>Sugar Land 4B Corporation</b>	
	<b>Revenue Bonds</b>	
	<b>Principal</b>	<b>Interest</b>
2016	\$ 1,840,000	\$ 1,522,638
2017	1,885,000	1,457,419
2018	1,960,000	1,388,781
2019	2,025,000	1,316,344
2020	2,115,000	1,239,175
2021	2,195,000	1,156,850
2022	1,900,000	1,076,631
2023	1,330,000	1,011,694
2024	1,390,000	953,169
2025	1,460,000	888,863
2026	1,225,000	828,269
2027	1,290,000	771,681
2028	1,355,000	712,169
2029	1,425,000	648,728
2030	1,500,000	580,150
2031	1,580,000	506,013
2032	1,670,000	425,750
2033	1,765,000	339,875
2034	1,865,000	249,125
2035	1,970,000	153,250
2036	2,080,000	52,000
	<b>\$ 35,825,000</b>	<b>\$ 17,278,574</b>

**D. Legal Compliance**

Long-term debt assumed by the City upon dissolution of municipal utility districts in the current and previous years has been recorded as part of the City's long-term debt. A portion of the assumed debt is related to assets recorded in the Utility Fund. Even though the debt is related to assets recorded in the Utility Fund, the debt is considered general obligation debt based on Texas law. The dissolved area debt will be retired with tax revenue and operating transfers from the Utility Fund. The transfers from the Utility Fund to the Debt Service Fund are not intended to service specific general obligation debt. During the year, at the discretion of City Council, the Utility Fund made a transfer to the Debt Service Fund as indicated on the transfer schedule of \$2.9 million.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 6 - Fund Equity/Net Position**

The City records fund balance reserves on the fund level to indicate that a portion of the fund balance is legally restricted for a specific future use or to indicate that a portion of the fund balance is not available for expenditures.

The Sugar Land 4B Corporation, a discretely presented component unit of the City, had a negative unrestricted net position balance at year-end of approximately \$25.9 million. This deficit balance is caused by the Corporation issuing bonds for economic development related construction projects and, in accordance with state law, transferring the capital assets to the primary government while retaining the related debt. As noted in Note 5, the debt is expected to be retired with future dedicated sales tax revenues.

**Note 7 - Interfund Transactions**

A summary of interfund transfers, the purpose of which is to cover operational expenses/expenditures, for the year ended September 30, 2015 is as follows:

<b>Transfer In</b>	<b>Transfer Out</b>	<b>Amount</b>	<b>Purpose</b>
General Fund	Photographic Traffic Enforcement Fund	\$ 655,057	50% of Net Revenues
		<b>655,057</b>	
Employee Benefit Fund	General Fund	782,870	H.S.A. Contribution
Employee Benefit Fund	Tourism Fund	2,932	H.S.A. Contribution
Employee Benefit Fund	Utility Fund	89,429	H.S.A. Contribution
Employee Benefit Fund	Airport Fund	54,244	H.S.A. Contribution
Employee Benefit Fund	Surface Water Fund	17,593	H.S.A. Contribution
Employee Benefit Fund	Solid Waste Fund	1,466	H.S.A. Contribution
Employee Benefit Fund	Photographic Traffic Enforcement Fund	1,466	H.S.A. Contribution
		<b>950,000</b>	
Debt Service Fund	Tourism Fund	1,010,117	Reimbursement for Conference Center debt
Debt Service Fund	Utility Fund	2,886,502	Reimbursement for Annexed MUD debt
Debt Service Fund	Capital Projects	472,500	Developer Fees to cover the University Blvd. debt
Debt Service Fund	SLDC Fund	598,705	To fund interest payment on taxable debt for performing arts center
		<b>4,967,824</b>	
Airport Fund	General Fund	113,218	Property tax collected during the year
Airport Fund	Debt Service Fund	96,756	Property tax collected during the year
Airport Fund	SLDC Fund	50,000	International Marketing
		<b>259,973</b>	
Capital Project Fund	SLDC Fund	1,547,633	Reimbursement for Capital Projects
Capital Project Fund	Tourism Fund	1,965,000	Pay as you go CIP
Capital Project Fund	General Fund	3,400,000	Pay as you go CIP
		<b>6,912,633</b>	
Debt Reduction Fund	General Fund	293,977	50% of Sales Tax collected from Riverpark
Debt Reduction Fund	General Fund	150,000	50% of Sales Tax collected from Riverpark
		<b>443,977</b>	
		<b>\$ 14,189,464</b>	

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 8 - Deferred Compensation Plan**

The City maintains for its employees a tax-deferred compensation plan meeting the requirements of Internal Revenue Code Section 457. The plan was established in the 1995 fiscal year by City Ordinance and Nationwide Retirement Solutions, SBC Retirement Corporation and ICMA were appointed as plan administrators. The deferred compensation is not available to employees until termination, retirement, or death. However, while employed, deferred compensation may be available to employees in an unforeseen emergency or under certain loan provisions. The plan's trust arrangements are established to protect deferred compensation amounts of employees under the plan from any other use other than intended under the plan (eventual payment to employees deferring the compensation) in accordance with federal tax laws. Amounts of compensation deferred by employees under plan provisions are disbursed bi-weekly by the City to selected third-party administrators. The third-party administrators handle all funds in the plan and makes investment decisions and disburse funds to employees in accordance with plan provisions.

**Note 9 - Employee Retirement System**

***Texas Municipal Retirement System***

**Plan Description and Provisions**

The City participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmrs.com](http://www.tmrs.com).

All eligible employees of the City are required to participate in TMRS.

**Benefits Provided**

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven actuarially equivalent payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

On the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are 200% of the employee's accumulated contributions.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 9 - Employee Retirement System (continued)**

**Plan Description and Provisions (continued)**

A summary of plan provisions for the City are as follows:

Employee deposit rate:	7%
Matching ratio (City to employee):	2 to 1
Years required for vesting:	5
Service retirement eligibility:	20 years at any age, 5 years at age 60 and above
Updated Service Credit:	75% Repeating
Annuity Increase to retirees:	50% of CPI Repeating
Supplemental death benefit – employees and retirees	Yes

The City does not participate in Social Security.

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees or beneficiaries currently receiving benefits	148
Inactive employees entitled to but not yet receiving benefits	230
Active employees	<u>655</u>
	<u>1,033</u>

**Contributions**

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the State law governing TMRS, the contribution rate for each City is determined annually by the consulting actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. For fiscal year 2015, the City made contributions of 15.42% for the months in 2014 and 15.11% for the months in 2015.

**Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

**Actuarial Assumptions**

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation

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**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 9 - Employee Retirement System (continued)**

**Actuarial Assumptions (continued)**

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. This experience study was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return (Arithmetic)</b>
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100.0%	

**Discount Rate**

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee contributions will remain at the current 7% and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 9 - Employee Retirement System (continued)**

**Changes in the Net Pension Liability**

	<b>Total Pension Liability</b>	<b>Increase (Decrease) Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>
	(a)	(b)	(a) - (b)
Balance at 12/31/2013	\$ 164,872,297	\$ 146,133,941	\$ 18,738,356
Changes for the year:			
Service cost	6,851,489		6,851,489
Interest	11,663,572		11,663,572
Change in benefit terms			-
Difference between expected and actual experience	(793,047)		(793,047)
Changes in assumptions			-
Contributions - employer		6,171,200	(6,171,200)
Contributions - employee		2,801,455	(2,801,455)
Net investment income		8,361,151	(8,361,151)
Benefit payments, including refunds, of employee contributions	(3,351,164)	(3,351,164)	
Administrative expense		(87,280)	87,280
Other charges		(7,176)	7,176
Net changes	14,370,850	13,888,186	482,664
Balance at 12/31/2014	<u>\$ 179,243,147</u>	<u>\$ 160,022,127</u>	<u>\$ 19,221,020</u>

**Sensitivity of the Net Pension Liability**

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	<b>1% Decrease to 6.00%</b>	<b>Current Single Rate Assumption 7.00%</b>	<b>1% Increase to 8.00%</b>
City's net pension liability	\$ 48,386,096	\$ 19,221,020	\$ (4,433,269)

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at [www.tmrs.com](http://www.tmrs.com).

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 9 - Employee Retirement System (continued)**

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended September 30, 2015, the City recognized pension expense of \$3,629,221.

At September 30, 2015, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actuarial assumptions and actual experience	\$	\$ 673,322
Changes in actuarial assumptions used		
Differences between projected and actual investment earnings	1,494,580	
Contributions subsequent to the measurement date	4,946,091	
Total	<u>\$ 6,440,671</u>	<u>\$ 673,322</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$4,946,091 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2015 (i.e. recognized in the City's financial statements September 30, 2016). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Net deferred outflows (inflows) of resources</u>
2015	\$ 253,920
2016	253,920
2017	253,920
2018	253,920
2019	(119,725)
Thereafter	(74,697)
Total	<u>\$ 821,258</u>

**Subsequent Event**

Pursuant to TMRS policy of conducting experience studies every four years, the TMRS Board at their July 31, 2015 meeting determined that they would be changing certain actuarial assumptions including reducing the long term expected rate of return from the current 7% to 6.75% and changing the inflation assumption from 3% to 2.5%. Reduction of expected investment return and related discount rate will increase projected pension liabilities. Reducing the inflation assumption reduces liabilities as future annuity levels and future cost of living adjustments are not projected to be as large as originally projected. While the actual impact on the City's valuation for December 31, 2015 is not known the City does expect some downward pressure on its funded status and upward pressure on its 2017 actuarially determined contribution (ADC) due to this change.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 9 - Employee Retirement System (continued)**

***Supplemental Death Benefits Fund***

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The city may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

	<u>Plan Year 2014</u>	<u>Plan Year 2015</u>
The City offers supplemental death to:		
Active employees	Yes	Yes
Retirees	Yes	Yes

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The city's contributions to the TMRS SDBF for the fiscal years ended 2015, 2014, and 2013 were \$61,795, \$54,444, and \$51,264, respectively, which equaled the required contributions each year.

**Schedule of Contribution Rates**

(Retiree-only portion of the rate, for OPEB)

<u>Plan/Calendar Year</u>	<u>Annual Required Contribution (Rate)</u>	<u>Actual Contribution Made (Rate)</u>	<u>Percentage of ARC Contributed</u>
2013	0.01%	0.01%	100%
2014	0.01%	0.01%	100%
2015	0.01%	0.01%	100%

***City of Sugar Land Retiree Health Care Plan***

GASB Statement 45 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (OPEB), established new accounting standards for postemployment benefits. The new standard does not require funding of OPEB expense, but any difference between the annual required contribution (ARC) and the amount funded during the year is required to be reported in the employer's financial statement as an increase (or decrease) in the net OPEB obligation. The effective date for implementation of GASB 45 by the City of Sugar Land was October 1, 2009. Accordingly, the City did obtain an actuarial valuation in accordance with GASB 45 as of December 31, 2012, and discloses the following:



**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 9 - Employee Retirement System (continued)**

**Plan Description and Funding Policy**

The City's retiree health care plan is a single-employer defined benefit plan. Employees who retire from the City of Sugar Land and receive an annuity from TMRS upon leaving the City's employment, and eligible dependents and survivors, are eligible to continue to participate in the City's health insurance programs at the "blended" employee group rate which is determined annually by the City of Sugar Land and approved by the City Council. Prior to retiring employees may elect to continue to participate in the City's medical and dental benefits. To maintain coverage they must continuously pay the monthly premium of the plan and level selected. As of December 31, 2014, a total of eleven (11) retirees had elected to receive retiree health care coverage through the City's retiree health care plan.

Retirees pay 100% of the premium for self, spouse, and dependents. However, the City recognizes that there is an "implicit subsidy" arising as a result of the blended rate premium since retiree health care costs, on average, is higher than active employee health care costs. The plan is not accounted for as a trust fund as an irrevocable trust has not been established to fund the plan. The plan does not issue a separate financial report.

**Annual OPEB Cost and Net OPEB Obligation**

The City's annual other post-employment benefits (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of accrual that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excesses) over a period not to exceed thirty years.

The City's annual OPEB cost for the year ending September 30, 2015, is as follows:

<b>Determination of Net OPEB Obligation (NOO)</b>	
Annual required contribution	\$ 288,764
Interest on net OPEB obligation	56,298
Adjustment to ARC	<u>(52,159)</u>
Annual OPEB cost	292,903
Less contributions made	<u>(213,175)</u>
Increase in net OPEB obligation	79,728
Net OPEB obligation – beginning of year	<u>1,251,059</u>
Net OPEB obligation – end of year	<u><u>\$ 1,330,787</u></u>

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 9 - Employee Retirement System (continued)**

**Annual OPEB Cost and Net OPEB Obligation (continued)**

The City's annual OPEB cost, the amount contributed by the employer, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending September 30, 2015 and the preceding two fiscal years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2015	\$ 292,903	72.8%	\$ 1,330,787
2014	255,724	0.0%	1,251,059
2013	248,276	0.0%	995,335

The employer contribution for fiscal year ending September 30, 2015 includes the implicit subsidies which were not recognized in fiscal years ending 2013 and 2014.

**Funded Status and Funding Progress**

The funded status of the City's retiree health care plan, under GASB Statement No. 45 as of the most recent actuarial valuation, is as follows:

Actuarial Valuation Date as of December 31,	<u>2014</u>
Actuarial accrued liability (AAL)	\$2,307,149
Actuarial value of plan assets	\$0
Unfunded actuarial accrued liability (UAAL)	\$2,307,149
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$40,020,785
UAAL as a percentage of covered payroll	5.76%

Under the reporting parameters, the City's retiree health care plan is 0.0% funded with the actuarial accrued liability exceeding the actuarial assets by \$2,307,149 at December 31, 2014. As of the most recent valuation, the ratio of the unfunded actuarial accrued liability to annual covered payroll is 5.76%.

**Actuarial Methods and Assumptions**

The Projected Unit Credit Cost Method is used to calculate the GASB ARC for the City's retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The actuarial cost method then provides for a systematic funding for these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections of health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and the City's employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS** *(continued)*

**Note 9 - Employee Retirement System (continued)**

Significant methods and assumptions used for this valuation are as follows:

Measurement Date	12/31/2014
Actuarial Cost Method	Projected Unit Credit (PUC)
Amortization Period	30-year open amortization
Amortization Method	Level percentage of employee payroll
Discount Rate	4.5% per annum, net of expenses
CPI	3% per annum
Medical Trend	Initial rate of 7.5%, declining to an ultimate rate of 4.5% after 14 years
Payroll Growth Rate	3% per annum

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the City's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 10 - Contracts with Special Districts**

**Agreements with Utility Districts**

The City has entered into utility agreements with six Municipal Utility Districts (Fort Bend MUDs No. 10, 136, 137, 138, 139 and Burney Road MUD) (the "Districts"), which are within the City's boundaries. The Districts are to acquire and construct water, wastewater, and drainage facilities to serve the area within the Districts and may issue bonds to finance such facilities. These utility agreements provide the following:

As water, wastewater and drainage facilities are acquired and constructed the Districts will transfer the facilities to the City, reserving a security interest therein for the purpose of securing performance of the City under the agreements. At such time as the bonds of the Districts are discharged, the Districts will release the security interest, and the City will own the improvements.

The water and wastewater rates charged by the City will be equal and uniform to those charged other similar users within the City, with all revenues belonging exclusively to the City.

The City has agreed to pay the Districts a tax rebate of the ad valorem taxes collected on land and improvements within the Districts. The rebates for the year ended September 30, 2015, were \$3.05 million.

The City has entered into an agreement with various Fort Bend County Municipal Utility Districts (MUDs) in the Greatwood and Tara subdivisions within the City's extraterritorial jurisdiction (ETJ), for funding the operating expenses relating to a fire station located within the Greatwood subdivision. The City received \$759,760 from the participating MUDs for the year ending September 30, 2015, in connection with this agreement.

The City has entered into fire protection agreements with various Fort Bend County Municipal Utility Districts (MUDs) within the City's extraterritorial Jurisdiction (ETJ), to support operating expenses related to provision of fire services to these areas. The MUDs are located in the New Territory and Riverstone subdivisions. The City received \$1,278,575 from these participating MUDs and \$218,500 from Fort Bend County for the year ending September 30, 2015 in connection with these agreements.

**Note 11 - Lease Agreements**

**Sugar Land Hotel Associates, L.P.**

In 2002, the Sugar Land Town Square Development Authority (the "Authority") entered into a ninety-nine year lease agreement with Sugar Land Hotel Associates, L.P. (the "Tenant") for the rental of the Sugar Land Conference Center and Parking Garage (the "Property"), owned by the Authority. The Tenant has the right to use the Property and has agreed to operate the Property in a "first class manner," as defined in the lease agreement, paying the Authority a base rent of \$1 per lease year, plus an incentive rent, as determined by the lease agreement, within 15 days after the Authority's receipt of an annual statement that presents the net cash flow and any net sale proceeds for the preceding lease year.

**Sugar Land Baseball, LLC**

In 2010, the City of Sugar Land entered into a twenty-five year lease agreement with Sugar Land Baseball, LLC for the rental of the Constellation Field (baseball stadium). Sugar Land Baseball, LLC owns "Skeeters" a minor league baseball team. The base annual rent of \$80,000 is due to the City January 1<sup>st</sup> each lease year. In addition to the base rent, the City will receive participation rent equal to 40% of all gross revenues in excess of \$2.6 million. In 2015 the City received \$116,391 in addition to the base rent.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 12 - Commitments and Contingencies**

**Litigation and Other Contingencies**

The City was involved in various lawsuits and arbitration proceedings at September 30, 2015. The City and its legal counsel believe that any amounts which the City might ultimately be required to pay will not exceed underlying insurance coverage.

**Federally Assisted Programs - Compliance Audits**

The City receives various grants, which are subject to audit by the respective agencies. Subsequent audits may disallow expenditures financed by government grants. It is the opinion of management that any disallowed expenditures, based on prior audit experience, will not be material in relation to the City's financial statements as of September 30, 2015.

**Arbitrage Rebate**

In accordance with the provisions of the Internal Revenue Code, sections 103, 103A, and 148, as amended, a governmental debt issuance must qualify and maintain tax-exempt status by satisfying certain arbitrage requirements contained in these provisions. As part of the requirements, certain amounts earned on the non-purpose investment of debt issuance proceeds, in excess of the yield on an issue, earned as arbitrage, will be required to be paid to the U.S. Treasury. As part of this process, the City annually determines potential arbitrage liabilities on its debt issues, on component unit debt issues and on debt issues assumed by the City from various Municipal Utility Districts.

**Economic Development Grant Commitments**

The Sugar Land Development Corporation has committed economic development grants or incentives to various companies in targeted industries to be paid in the future on the condition that certain agreed upon criteria are met. The amounts currently committed are as follows:

<b>Fiscal Year</b>	<b>Grant Commitments</b>
2016	\$ 1,365,000.00
2017	885,000
2018	860,000
2019	3,645,000
2020	610,000
2021	875,000
2022	870,000
2023	870,000
2024	525,000
2025	530,000
2026	300,000
2027	250,000
2028	250,000
<b>Totals</b>	<b>\$ 11,835,000</b>

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS** *(continued)*

**Note 13 - Risk Management**

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City's risk management program mainly encompasses obtaining property and liability insurance through Texas Municipal League's Intergovernmental Risk-Pool (TML-IRP), and through commercial insurance carriers. The participation of the City in TML-IRP is limited to payment of premiums. The City has not had any significant reduction in insurance coverage, and the amounts of insurance settlements have not exceeded insurance coverage for any of the last three years.

The City also provides Workers' Compensation insurance on its employees through TML-Workers' Compensation Fund. Workers' Compensation premiums are subject to change when audited by TML-Workers' Compensation Fund. At September 30, 2015, the City believed the amounts paid on Workers' Compensation would not change significantly from the amounts recorded.

**Employee Benefits Fund**

Beginning January 1, 2012, the City started providing health benefits to its employees and dependents through a self-funded employee health benefit plan which is accounted for in the Employee Benefits Fund - Internal Service Fund. This fund is principally supported by contributions from the City and the employees. The City makes contributions to cover the majority of the premiums for employees, and the employees are required to make contributions to cover the remaining employee and dependent costs. The Internal Service Fund charges the City's General Fund and enterprise funds for the City's contributions. Payments of premiums and administrative fees are paid out of this fund. A third party administrator acting on behalf of the City processes health claim payments. The City has obtained excess loss insurance which limits the City's claims paid to \$137,500 annually for any individual occurrence.

Settled claims did not exceed insurance coverages in fiscal year 2015. Estimates of claims payable and of claims incurred, but not reported at September 30, 2015, are reflected as accrued expenses and claims payable of the Employee Benefits Fund - Internal Service Fund. The liabilities include an amount for claims that have been incurred but were not reported until after September 30, 2015. The liability reported in the fund is one of the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements, and the amount of the loss can be reasonably estimated. Because actual claims liabilities depend on such complex factors as inflation, changes in legal requirements, and damage awards, the process used in computing claims liability is an estimate based on historical claims.

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 14 – Prior Period Adjustment**

The implementation of GASB Statements No. 68 and No. 71 required restatement of beginning net position for the elimination of the previously reported net pension asset, the recording of the beginning net pension liability and the beginning deferred outflow for contributions made after the measurement date. Prospectively applying this change results in the adjustment below:

	Government-wide		Fund Level			
	Statement of Activities		Statement of Revenues, Expenses and Changes in Net Position -			
	Governmental	Business-type	Proprietary Funds			
	Activities	Activities	Utility	Airport	Surface Water	Solid Waste
Net position at September 30, 2014, as previously reported	\$ 348,532,744	\$ 273,018,987	\$ 193,504,468	\$ 60,650,065	\$ 21,479,520	\$ 234,493
Recording of net pension liability as of September 30, 2014	(16,572,820)	(2,165,536)	(1,093,289)	(778,373)	(236,085)	(57,789)
Deferral for pension contributions made after the measurement date	3,928,685	513,353	259,171	184,518	55,965	13,699
Net position at Septemeber 30, 2014, as restated	<u>\$ 335,888,609</u>	<u>\$ 271,366,804</u>	<u>\$ 192,670,350</u>	<u>\$ 60,056,210</u>	<u>\$ 21,299,400</u>	<u>\$ 190,403</u>

**Note 15 - Subsequent Events**

**Issuance of Long-Term Debt – General Obligation Refunding Bonds, Series 2015**

The City issued \$12,195,000 of General Obligation Refunding bonds dated December 1, 2015. Proceeds from the sale of the bonds will be used to advance refund a portion of outstanding ad valorem tax supported obligations of the City and to pay the costs associated with the issuance of the bonds.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF SUGAR LAND, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2015**

	<i>General Fund</i>			
	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive / (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Property taxes	\$ 18,433,100	\$ 18,406,410	\$ 18,433,233	\$ 26,823
Sales tax	36,232,500	38,349,225	38,549,980	200,755
Franchise and other taxes	5,711,100	5,755,332	5,899,673	144,341
Licenses and permits	3,092,850	3,274,923	3,494,806	219,883
Fines and forfeitures	2,204,300	1,877,917	1,874,655	(3,262)
Charges for services	4,553,230	9,098,403	8,654,100	(444,303)
Investment earnings	120,000	226,805	468,598	241,793
Intergovernmental	198,446	761,341	765,667	4,326
Other	408,900	364,200	375,475	11,275
<b>Total Revenues</b>	<b>70,954,426</b>	<b>78,114,556</b>	<b>78,516,187</b>	<b>401,631</b>
<b>Expenditures</b>				
<b>Current:</b>				
General government	10,557,790	11,492,092	11,484,567	7,525
Administrative services	6,550,556	7,470,583	7,465,770	4,813
Public safety - Police	19,283,162	19,802,226	19,789,824	12,402
Public safety - Fire	12,813,938	14,617,134	14,607,687	9,447
Public safety - EMS	2,111,833	2,937,462	2,935,585	1,877
Public Works	9,595,251	11,778,514	11,770,859	7,655
Parks and recreation	5,890,416	3,830,180	3,827,743	2,437
Community development	5,561,865	5,586,903	5,583,223	3,680
<b>Total Expenditures</b>	<b>72,364,811</b>	<b>77,515,094</b>	<b>77,465,258</b>	<b>49,836</b>
Excess (deficiency) of revenues over expenditures	(1,410,385)	599,462	1,050,929	451,467
<b>Other Financing Sources (Uses)</b>				
Proceeds from capital leases	750,000	3,031,118	3,510,000	478,882
Transfers in	5,546,629	589,676	655,057	65,381
Transfers (out)	(6,051,658)	(4,751,525)	(4,740,065)	11,460
Sale of capital assets	53,700	53,700	54,099	399
<b>Total Other Financing Sources (Uses)</b>	<b>298,671</b>	<b>(1,077,031)</b>	<b>(520,909)</b>	<b>556,122</b>
Net change in fund balance	(1,111,714)	(477,569)	530,020	1,007,589
<b>Fund balance - beginning</b>	<b>28,264,512</b>	<b>28,264,512</b>	<b>28,264,512</b>	
<b>Fund balance - ending</b>	<b>\$ 27,152,798</b>	<b>\$ 27,786,943</b>	<b>\$ 28,794,532</b>	<b>\$ 1,007,589</b>

**CITY OF SUGAR LAND, TEXAS**  
**NOTES TO REQUIRED SUPPLEMENTARY BUDGET INFORMATION**  
*For the Year ended September 30, 2015*

**Budgetary Compliance**

The City of Sugar Land has complied with all material budget requirements for the year ended September 30, 2015.

Annual appropriated budgets are adopted for the General Fund, Special Revenue Funds and Debt Service Funds, using the same basis of accounting as for financial reporting. All annual appropriations lapse at fiscal year end. Project length budgets are adopted for the Capital Project Funds. The City, for management control, approves a financial plan for the Enterprise and Internal Service Funds. City Council approves the annual budget for the component units included in the City's financial reporting entity.

Expenditures may not legally exceed budgeted appropriations at the functional level (i.e. general government, administrative services, etc.). Expenditure requests, which would require an increase in total budgeted appropriations, must be approved by City Council through a formal budget amendment. At any time in the fiscal year, the Council may make emergency appropriations to meet a pressing need for public expenditure in order to protect the public health, safety, or welfare. The Council has the power to transfer any unencumbered funds allocated by the budget from one activity, function, or department, to another activity, function, or department, to re-estimate revenues and expenditures, and to amend the budget.

Management has the authority to transfer available funds allocated by the budget from one function/department or activity to another function or activity within the same department. In cooperation with the directors and department heads of the City and the Budget Officer, the City Manager prepares an annual budget for the General Fund, Special Revenue Funds, and Debt Service Fund for the ensuing fiscal year, in a form and style as deemed desirable by the City Manager. The City Manager shall submit to the Council, for its review, consideration, and revision, both a letter describing the proposed new budget, as well as a balanced budget for the forthcoming fiscal year, not later than sixty (60) days prior to the end of the current fiscal year. The budget, as adopted, must set forth the appropriations for services, functions, and activities of the various City departments, and shall meet all fund requirements provided by law and required by bond covenants. Capital projects are budgeted on a project-length basis.

Amounts reported in the accompanying financial statements represent the original budgeted amount plus all supplemental appropriations.

**CITY OF SUGAR LAND, TEXAS**  
**REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION**  
**For the Year Ended September 30, 2015**

**TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED)**

**Schedule of Changes in Net Pension Liability and Related Ratios**

	<b>Measurement Year 2014</b>
<b>Total pension liability:</b>	
Service cost	\$ 6,851,489
Interest	11,663,572
Changes of benefit terms	
Difference between expected and actual experience	(793,047)
Change in assumptions	
Benefit payments, including refunds of employee contributions	(3,351,164)
Net change in total pension liability	14,370,850
Total pension liability - beginning	164,872,297
Total pension liability - ending (a)	<u>\$ 179,243,147</u>
<b>Plan fiduciary net position:</b>	
Contributions - employer	\$ 6,171,200
Contributions - employee	2,801,455
Net investment income	8,361,151
Benefit payments, including refunds of employee contributions	(3,351,164)
Administrative expense	(87,280)
Other	(7,176)
Net change in plan fiduciary net position	13,888,186
Plan fiduciary net position - beginning	146,133,941
Plan fiduciary net position - ending (b)	<u>160,022,127</u>
<b>Net pension liability - ending (a) - (b)</b>	<u>\$ 19,221,020</u>
<b>Plan fiduciary net position as a percentage of total pension liability</b>	89.28%
<b>Covered employee payroll</b>	\$ 40,020,785
<b>Net pension liability as a percentage of covered employee payroll</b>	48.03%

The amounts presented are for each measurement year, which end the preceding December 31 of the City's fiscal year end. Net pension liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 68. Ten years of data should be presented in this schedule but data was unavailable prior to 2014.

**CITY OF SUGAR LAND, TEXAS**  
**REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION**  
**For the Year Ended September 30, 2015**

**TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED)**

**Schedule of Contributions**

Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Actuarially determined contribution	\$ 6,731,282	\$ 6,051,096	\$ 5,646,329	\$ 5,577,309	\$ 5,800,525
Contribution in relation of the actuarially determined contribution	\$ 6,731,282	\$ 6,051,096	\$ 5,646,329	\$ 5,577,309	\$ 5,800,525
Contribution deficiency (excess)	-	-	-	-	-
Covered employee payroll	\$ 40,020,785	\$ 37,903,124	\$ 36,193,853	\$ 35,535,263	\$ 36,245,839
Contributions as a percentage of covered employee payroll	16.8%	16.0%	15.6%	15.7%	16.0%
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Actuarially determined contribution	\$ 5,693,306	\$ 4,814,464	\$ 3,697,213	\$ 3,381,409	\$ 3,136,650
Contribution in relation of the actuarially determined contribution	\$ 5,693,306	\$ 4,814,464	\$ 3,697,213	\$ 3,381,409	\$ 3,136,650
Contribution deficiency (excess)	-	-	-	-	-
Covered employee payroll	\$ 32,942,985	\$ 33,298,702	\$ 29,148,534	\$ 27,051,874	\$ 24,394,247
Contributions as a percentage of covered employee payroll	17.3%	14.5%	12.7%	12.5%	12.9%

**Notes to Required Supplementary Information:**

**Valuation Date:**

Actuarial determined contribution rates are calculated as of December 31<sup>st</sup> each year and become effective in January, 12 months and a day later.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	15 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3.0%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 – 2009.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

**Other Information:**

There were no benefit changes during the year.

**CITY OF SUGAR LAND, TEXAS****REQUIRED OTHER POST EMPLOYMENT BENEFIT (OPEB) SUPPLEMENTARY INFORMATION***For the Year Ended September 30, 2015***CITY OF SUGAR LAND RETIREE HEALTH CARE PLAN (UNAUDITED)****Schedule of Funding Progress**

<b>Actuarial Valuation Date December 31,</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liabilities</b>	<b>Percentage Funded</b>	<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>Annual Covered Payroll</b>	<b>(UAAL) as a Percentage of Covered Payroll</b>
2014	\$ -	\$ 2,307,149	0%	\$ 2,307,149	\$ 40,020,785	5.76%
2013	-	2,069,749	0%	2,069,749	36,193,853	5.72%
2012	-	2,069,749	0%	2,069,749	35,535,263	5.82%

## **OTHER SUPPLEMENTARY INFORMATION**

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## **CITY OF SUGAR LAND, TEXAS**

### **SPECIAL REVENUE FUNDS**

To account for the proceeds of specific revenue sources that, are legally restricted to expenditures for specific purposes.

**Tourism Fund** – This special revenue fund is used to account for revenues received from a room occupancy tax and expenditures for the promotion of tourism and the convention and hotel industry

**Court Security Fund** – This special revenue fund is used to account for the revenues and expenditures related to the fees from court fines used for Court Security as set up by State Statute.

**Community Development Block Grant Fund** – This special revenue fund is used to account for the block grant that the City can use to revitalize neighborhoods, expand affordable housing and economic opportunities, and/or improve community facilities and services, principally to benefit low and moderate income persons.

**Court Technology Fund** – This fund is used to account for revenues and expenditures related to fees from court fines used for Court Technology improvements as set up by State Statute.

**Law Enforcement Grant Fund** – This fund is used to account for grants and asset forfeitures. The proceeds are restricted for use by the Police Department.

**Photographic Traffic Enforcement Fund** – This fund is used to account for revenues and expenditures relating to implementation of the photographic traffic enforcement system.

**Debt Reduction Fund** – This fund is used to account for activities as a result of agreements with the City's ETJ's whereby the resources are to be accumulated in order to assist with debt retirements upon dissolution of such entities. These include Enclave at River Park Public Improvement District, Greatwood, New Territory, and Tara Plantation.

**CITY OF SUGAR LAND, TEXAS**  
**BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**September 30, 2015**

*Page 1 of 3*

	<b>Tourism Fund</b>	<b>Court Security Fund</b>	<b>Community Development Block Grant Fund</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 106,994	\$ 23,724	\$
Investments	3,001,170		
Receivables (net of allowance for uncollectibles)	594,269		
Interest receivable	7,022		
Due from other governments			140,217
<b>Total Assets</b>	<u>\$ 3,709,455</u>	<u>\$ 23,724</u>	<u>\$ 140,217</u>
<b>Liabilities</b>			
Accounts payable	\$ 167,501	\$	\$ 140,217
Accrued expenditures	8,241	2,129	
<b>Total Liabilities</b>	<u>175,742</u>	<u>2,129</u>	<u>140,217</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue			
<b>Total Deferred Inflows of Resources</b>			
<b>Fund Balance</b>			
Nonspendable:			
Prepaid expenses			
Restricted:			
Debt service			
Capital projects			
Development activities	3,533,713		
Public safety		21,595	
Unassigned			
<b>Total Fund Balance</b>	<u>3,533,713</u>	<u>21,595</u>	
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<u>\$ 3,709,455</u>	<u>\$ 23,724</u>	<u>\$ 140,217</u>

**CITY OF SUGAR LAND, TEXAS**  
**BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**September 30, 2015**

*Page 2 of 3*

	<b>Court Technology Fund</b>	<b>Law Enforcement Grant Fund</b>	<b>Photographic Traffic Enforcement Fund</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 51,003	\$ 129,841	\$ 707,132
Investments			
Receivables (net of allowance for uncollectibles)			2,930,026
Interest receivable			
Due from other governments			
<b>Total Assets</b>	<u>\$ 51,003</u>	<u>\$ 129,841</u>	<u>\$ 3,637,158</u>
<b>Liabilities</b>			
Accounts payable	\$	\$	\$ 724,566
Accrued expenditures			
<b>Total Liabilities</b>			<u>724,566</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue			2,930,026
<b>Total Deferred Inflows of Resources</b>			<u>2,930,026</u>
<b>Fund Balance</b>			
Nonspendable:			
Prepaid expenses			
Restricted:			
Debt service			
Capital projects			
Development activities			
Public safety	51,003	129,841	
Unassigned			(17,434)
<b>Total Fund Balance</b>	<u>51,003</u>	<u>129,841</u>	<u>(17,434)</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<u>\$ 51,003</u>	<u>\$ 129,841</u>	<u>\$ 3,637,158</u>

**CITY OF SUGAR LAND, TEXAS**  
**BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**September 30, 2015**

*Page 3 of 3*

	<b>Debt Reduction Funds</b>	<b>Totals</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 2,366,529	\$ 3,385,223
Investments	4,745,379	7,746,549
Receivables (net of allowance for uncollectibles)	133,004	3,657,299
Interest receivable	7,699	14,721
Due from other governments		140,217
<b>Total Assets</b>	<b>\$ 7,252,611</b>	<b>\$ 14,944,009</b>
<b>Liabilities</b>		
Accounts payable	\$	\$ 1,032,284
Accrued expenditures		10,370
<b>Total Liabilities</b>		<b>1,042,654</b>
<b>Deferred Inflows of Resources</b>		
Unavailable revenue		2,930,026
<b>Total Deferred Inflows of Resources</b>		<b>2,930,026</b>
<b>Fund Balance</b>		
Nonspendable:		
Prepaid expenses		
Restricted:		
Debt service	7,252,611	7,252,611
Capital projects		
Development activities		3,533,713
Public safety		202,439
Unassigned		(17,434)
<b>Total Fund Balance</b>	<b>7,252,611</b>	<b>10,971,329</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 7,252,611</b>	<b>\$ 14,944,009</b>

**CITY OF SUGAR LAND, TEXAS****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES****NON-MAJOR GOVERNMENTAL FUNDS***For the Year Ended September 30, 2015**Page 1 of 3*

	<b>Tourism Fund</b>	<b>Court Security Fund</b>	<b>Community Development Block Grant Fund</b>
<b>Revenues</b>			
Sales tax	\$	\$	\$
Franchise and other taxes	2,499,147		
Fines and forfeitures		48,980	
Investment earnings	27,478	11	
Intergovernmental			668,906
Other			
<b>Total Revenues</b>	<u>2,526,625</u>	<u>48,991</u>	<u>668,906</u>
<b>Expenditures</b>			
<b>Current:</b>			
General government	852,547		183,266
Administrative services		56,180	
Public Safety - Police			
Capital Outlay	522,113		485,640
<b>Total Expenditures</b>	<u>1,374,660</u>	<u>56,180</u>	<u>668,906</u>
Excess (deficiency) of revenues over expenditures	<u>1,151,965</u>	<u>(7,189)</u>	
<b>Other Financing Sources (Uses)</b>			
Proceeds from long-term debt, net			
Transfers in			
Transfers out	(2,978,049)		
Total other financing sources and uses	<u>(2,978,049)</u>		
Net change in fund balance	(1,826,084)	(7,189)	
<b>Fund balance - beginning</b>	<u>5,359,797</u>	<u>28,784</u>	
<b>Fund balance - ending</b>	<u>\$ 3,533,713</u>	<u>\$ 21,595</u>	<u>\$</u>

**CITY OF SUGAR LAND, TEXAS****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES****NON-MAJOR GOVERNMENTAL FUNDS***For the Year Ended September 30, 2015**Page 2 of 3*

	<b>Court Technology Fund</b>	<b>Law Enforcement Grant Fund</b>	<b>Photographic Traffic Enforcement Fund</b>
<b>Revenues</b>			
Sales tax	\$	\$	\$
Franchise and other taxes			
Fines and forfeitures	65,301		1,967,721
Investment earnings	35	70	1,134
Intergovernmental			
Other	230	88,238	
<b>Total Revenues</b>	<u>65,566</u>	<u>88,308</u>	<u>1,968,855</u>
<b>Expenditures</b>			
<b>Current:</b>			
General government			
Administrative services	63,009		
Public Safety - Police		12,897	1,342,198
Capital Outlay	15,265	50,563	
<b>Total Expenditures</b>	<u>78,274</u>	<u>63,460</u>	<u>1,342,198</u>
Excess (deficiency) of revenues over expenditures	<u>(12,708)</u>	<u>24,848</u>	<u>626,657</u>
<b>Other Financing Sources (Uses)</b>			
Revenue bonds issued			
Transfers in			
Transfers out			(656,523)
<b>Total other financing sources and uses</b>			<u>(656,523)</u>
Net change in fund balance	(12,708)	24,848	(29,866)
<b>Fund balance - beginning</b>	<u>63,711</u>	<u>104,993</u>	<u>12,432</u>
<b>Fund balance - ending</b>	<u>\$ 51,003</u>	<u>\$ 129,841</u>	<u>\$ (17,434)</u>

**CITY OF SUGAR LAND, TEXAS****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
NON-MAJOR GOVERNMENTAL FUNDS***For the Year Ended September 30, 2015**Page 3 of 3*

	<b>Debt Reduction Funds</b>	<b>Totals</b>
<b>Revenues</b>		
Sales tax	\$	\$
Franchise and other taxes		2,499,147
Fines and forfeitures		2,082,002
Investment earnings	32,938	61,666
Intergovernmental	863,858	1,532,764
Other		88,468
<b>Total Revenues</b>	<u>896,796</u>	<u>6,264,047</u>
<b>Expenditures</b>		
<b>Current:</b>		
General government	98,807	1,134,620
Administrative services		119,189
Public Safety - Police		1,355,095
Capital Outlay		1,073,581
<b>Total Expenditures</b>	<u>98,807</u>	<u>3,682,485</u>
Excess (deficiency) of revenues over expenditures	<u>797,989</u>	<u>2,581,562</u>
<b>Other Financing Sources (Uses)</b>		
Proceeds from long-term debt, net		
Transfers in	443,977	443,977
Transfers out		(3,634,572)
Total other financing sources and uses	<u>443,977</u>	<u>(3,190,595)</u>
Net change in fund balance	1,241,966	(609,033)
<b>Fund balance - beginning</b>	<u>6,010,645</u>	<u>11,580,362</u>
<b>Fund balance - ending</b>	<u>\$ 7,252,611</u>	<u>\$ 10,971,329</u>

**CITY OF SUGAR LAND, TEXAS**  
**MAJOR GOVERNMENTAL FUND - DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
*For the Year Ended September 30, 2015*  
*with comparative actual totals for the year ended September 30, 2014*

	<b>2015</b>		<b>Variance</b>	
	<b>Budget</b>	<b>Actual</b>	<b>Positive / (Negative)</b>	<b>2014</b>
<b>Revenues</b>				
<b>Taxes:</b>				
Property taxes	\$ 15,606,432	\$15,639,782	\$ 33,350	\$13,739,782
Investment earnings	19,531	26,425	6,894	6,722
Other				308,936
<b>Total Revenues</b>	<u>15,625,963</u>	<u>15,666,207</u>	<u>40,244</u>	<u>14,055,440</u>
<b>Expenditures</b>				
<b>Current:</b>				
Administrative services	1,510,630	1,407,456	103,174	1,544,937
<b>Debt Service:</b>				
Principal	12,525,312	12,519,382	5,930	11,092,601
Interest and other charges	5,974,210	5,816,881	157,329	4,957,698
Bond issuance costs	233,728	236,978	(3,250)	11,700
<b>Total Expenditures</b>	<u>20,243,880</u>	<u>19,980,697</u>	<u>263,183</u>	<u>17,606,936</u>
<b>Revenues over (under) expenditures</b>	<u>(4,617,917)</u>	<u>(4,314,490)</u>	<u>303,427</u>	<u>(3,551,496)</u>
<b>Other Financing Sources (Uses)</b>				
Refunding bonds issued	21,565,000	21,565,000		
Premium on general obligation debt	3,367,606	3,378,097	10,491	
Payments to refunding escrow agent	(24,965,005)	(24,965,005)		
Transfers in	4,967,822	4,967,824	2	4,513,082
Transfers (out)	(86,060)	(96,756)	(10,696)	(86,783)
<b>Total other financing sources (uses)</b>	<u>4,849,363</u>	<u>4,849,160</u>	<u>(203)</u>	<u>4,426,299</u>
<b>Changes in fund balance</b>	<u>231,446</u>	<u>534,670</u>	<u>303,224</u>	<u>874,803</u>
<b>Fund balance - beginning</b>	<u>4,105,011</u>	<u>4,105,011</u>		<u>3,230,208</u>
<b>Fund balance - ending</b>	<u>\$ 4,336,457</u>	<u>\$ 4,639,681</u>	<u>\$ 303,224</u>	<u>\$ 4,105,011</u>



**CITY OF SUGAR LAND, TEXAS**  
**MAJOR GOVERNMENTAL FUND - CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
*For the Year Ended September 30, 2015*  
*with comparative actual totals for the year ended September 30, 2014*

	<b>2015</b>		<b>Variance</b>	
	<b>Budget</b>	<b>Actual</b>	<b>Positive / (Negative)</b>	<b>2014</b>
<b>Revenues</b>				
Charges for services	\$	\$ 1,138,815	\$ 1,138,815	\$ 1,254,750
Intergovernmental	4,122,754	1,705,296	(2,417,458)	11,396,445
Investment earnings	70,000	306,689	236,689	11,114
Other	9,429,520	4,212,063	(5,217,457)	867,980
<b>Total Revenues</b>	<u>13,622,274</u>	<u>7,362,863</u>	<u>(6,259,411)</u>	<u>13,530,289</u>
<b>Expenditures</b>				
<b>Current:</b>				
Administrative services	220,850	226,400	(5,550)	3,225
Public works	2,155,126	5,993,821	(3,838,695)	4,503,112
Parks and recreation	2,272,615	1,625,180	647,435	1,177,889
<b>Debt Service:</b>				
Bond issuance costs	347,464	877,101	(529,637)	322,504
<b>Capital outlay</b>	<u>118,682,497</u>	<u>35,515,226</u>	<u>83,167,271</u>	<u>16,536,376</u>
<b>Total Expenditures</b>	<u>123,678,552</u>	<u>44,237,728</u>	<u>79,440,824</u>	<u>22,543,106</u>
<b>Revenues over (under) expenditures</b>	<u>(110,056,278)</u>	<u>(36,874,865)</u>	<u>73,181,413</u>	<u>(9,012,817)</u>
<b>Other Financing Sources (Uses)</b>				
Bond proceeds	67,184,500	65,125,000	(2,059,500)	24,440,000
Loan proceeds	5,600,000		(5,600,000)	
Premium on debt issued	1,121,227	3,046,046	1,924,819	201,566
Transfers in	11,427,794	6,912,633	(4,515,161)	4,342,527
Transfers (out)	<u>(472,500)</u>	<u>(472,500)</u>		<u>(674,500)</u>
<b>Total other financing sources (uses)</b>	<u>84,861,021</u>	<u>74,611,179</u>	<u>(10,249,842)</u>	<u>28,309,593</u>
<b>Changes in fund balance</b>	<u>(25,195,257)</u>	<u>37,736,314</u>	<u>62,931,571</u>	<u>19,296,776</u>
<b>Fund balance - beginning</b>	<u>22,814,454</u>	<u>22,814,454</u>		<u>3,517,678</u>
<b>Fund balance - ending</b>	<u>\$ (2,380,803)</u>	<u>\$ 60,550,768</u>	<u>\$ 62,931,571</u>	<u>\$ 22,814,454</u>

**CITY OF SUGAR LAND, TEXAS****MAJOR GOVERNMENTAL FUND - SUGAR LAND DEVELOPMENT CORPORATION FUND****SCHEDULE OF REVENUES, EXPENDITURES AND****CHANGES IN FUND BALANCE - BUDGET AND ACTUAL***For the Year Ended September 30, 2015**with comparative actual amounts for the year ended September 30, 2014*

	<b>2015</b>			
	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive / (Negative)</b>	<b>2014</b>
<b>Revenues</b>				
Sales and use taxes	\$ 6,391,500	\$ 6,425,156	\$ 33,656	\$ 6,144,008
Investment earnings	66,625	166,654	100,029	10,064
Intergovernmental	850,000	850,000		500,000
Other				1,675
<b>Total Revenues</b>	<u>7,308,125</u>	<u>7,441,810</u>	<u>133,685</u>	<u>6,655,747</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	3,034,066	1,313,618	1,720,448	1,854,109
Administrative services	3,540	2,740	800	2,740
<b>Debt Service:</b>				
Principal	820,000	820,000		790,000
Interest and other charges	1,919,672	1,899,429	20,243	717,000
Bond issuance costs	902,388	898,790	3,598	
Capital Outlay	40,348,440	18,722,646	21,625,794	5,044,560
<b>Total Expenditures</b>	<u>47,028,106</u>	<u>23,657,223</u>	<u>23,370,883</u>	<u>8,408,409</u>
<b>Revenues over (under) expenditures</b>	<u>(39,719,981)</u>	<u>(16,215,413)</u>	<u>23,504,568</u>	<u>(1,752,662)</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from issuance of debt	45,640,000	45,640,000		7,200,000
Premium on debt issued	5,006,506	5,045,731	39,225	
Payment to escrow agent	(7,937,678)	(7,937,678)		
Transfers (out)	(6,311,275)	(2,196,338)	4,114,937	(530,883)
<b>Total other financing sources (uses)</b>	<u>36,397,553</u>	<u>40,551,715</u>	<u>4,154,162</u>	<u>6,669,117</u>
<b>Changes in fund balance</b>	<u>(3,322,428)</u>	<u>24,336,302</u>	<u>27,658,730</u>	<u>4,916,455</u>
<b>Fund balance - beginning</b>	<u>13,356,191</u>	<u>13,356,191</u>		<u>8,439,736</u>
<b>Fund balance - ending</b>	<u>\$ 10,033,763</u>	<u>\$ 37,692,493</u>	<u>\$ 27,658,730</u>	<u>\$ 13,356,191</u>

**CITY OF SUGAR LAND, TEXAS**  
**SPECIAL REVENUE FUND - TOURISM FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2015**  
**with comparative actual amounts for the year ended September 30, 2014**

	<b>2015</b>		<b>Variance</b>	
	<b>Budget</b>	<b>Actual</b>	<b>Positive / (Negative)</b>	<b>2014</b>
<b>Revenues</b>				
Hotel occupancy tax	\$ 2,466,576	\$ 2,499,147	\$ 32,571	\$ 2,506,446
Investment Income	17,330	27,478	10,148	6,203
<b>Total Revenues</b>	<u>2,483,906</u>	<u>2,526,625</u>	<u>42,719</u>	<u>2,512,649</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	1,057,815	852,547	205,268	665,894
<b>Capital Outlay</b>	<u>808,564</u>	<u>522,113</u>	<u>286,451</u>	<u>91,436</u>
<b>Total Expenditures</b>	<u>1,866,379</u>	<u>1,374,660</u>	<u>491,719</u>	<u>757,330</u>
<b>Revenues over (under) expenditures</b>	617,527	1,151,965	534,438	1,755,319
<b>Other Financing Sources (Uses)</b>				
Transfers in (out)	<u>(2,978,049)</u>	<u>(2,978,049)</u>		<u>(664,824)</u>
<b>Changes in fund balance</b>	(2,360,522)	(1,826,084)	534,438	1,090,495
<b>Fund balance - beginning</b>	<u>5,359,797</u>	<u>5,359,797</u>		<u>4,269,302</u>
<b>Fund balance - ending</b>	<u>\$ 2,999,275</u>	<u>\$ 3,533,713</u>	<u>\$ 534,438</u>	<u>\$ 5,359,797</u>

**CITY OF SUGAR LAND, TEXAS****SPECIAL REVENUE FUND - COURT SECURITY FUND****SCHEDULE OF REVENUES, EXPENDITURES AND****CHANGES IN FUND BALANCE - BUDGET AND ACTUAL****For the Year Ended September 30, 2015****with comparative actual amounts for the year ended September 30, 2014**

	<b>2015</b>			
	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive / (Negative)</b>	<b>2014</b>
<b>Revenues</b>				
Fines and forfeitures	\$ 41,652	\$ 48,980	\$ 7,328	\$ 50,793
Investment earnings	6	11	5	21
<b>Total Revenues</b>	<u>41,658</u>	<u>48,991</u>	<u>7,333</u>	<u>50,814</u>
<b>Expenditures</b>				
<b>Current:</b>				
Administrative services	43,996	56,180	(12,184)	59,608
<b>Total Expenditures</b>	<u>43,996</u>	<u>56,180</u>	<u>(12,184)</u>	<u>59,608</u>
<b>Changes in fund balance</b>	<u>(2,338)</u>	<u>(7,189)</u>	<u>(4,851)</u>	<u>(8,794)</u>
<b>Fund balance - beginning</b>	<u>28,784</u>	<u>28,784</u>		<u>37,578</u>
<b>Fund balance - ending</b>	<u>\$ 26,446</u>	<u>\$ 21,595</u>	<u>\$ (4,851)</u>	<u>\$ 28,784</u>

**CITY OF SUGAR LAND, TEXAS*****SPECIAL REVENUE FUND - COMMUNITY DEVELOPMENT BLOCK GRANT FUND******SCHEDULE OF REVENUES, EXPENDITURES AND******CHANGES IN FUND BALANCE - BUDGET AND ACTUAL******For the Year Ended September 30, 2015******with comparative actual amounts for the year ended September 30, 2014***

	<b>2015</b>			
	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive / (Negative)</b>	<b>2014</b>
<b>Revenues</b>				
Intergovernmental	\$ 1,104,909	\$ 668,906	\$ (436,003)	\$ 185,258
<b>Total Revenues</b>	<u>1,104,909</u>	<u>668,906</u>	<u>(436,003)</u>	<u>185,258</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	190,330	183,266	7,064	185,258
Capital Outlay	<u>914,579</u>	<u>485,640</u>	<u>428,939</u>	
<b>Total Expenditures</b>	<u>1,104,909</u>	<u>668,906</u>	<u>436,003</u>	<u>185,258</u>
<b>Changes in fund balance</b>				
<b>Fund balance - beginning</b>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Fund balance - ending</b>	<u>\$          </u>	<u>\$          </u>	<u>\$          </u>	<u>\$          </u>

**CITY OF SUGAR LAND, TEXAS****SPECIAL REVENUE FUND - COURT TECHNOLOGY FUND****SCHEDULE OF REVENUES, EXPENDITURES AND****CHANGES IN FUND BALANCE - BUDGET AND ACTUAL****For the Year Ended September 30, 2015****with comparative actual amounts for the year ended September 30, 2014**

	<b>2015</b>			
	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive / (Negative)</b>	<b>2014</b>
<b>Revenues</b>				
Fines and forfeitures	\$ 56,278	\$ 65,301	\$ 9,023	\$ 67,720
Investment earnings	42	35	(7)	44
Miscellaneous revenue		230	230	
<b>Total Revenues</b>	<u>56,320</u>	<u>65,566</u>	<u>9,246</u>	<u>67,764</u>
<b>Expenditures</b>				
<b>Current:</b>				
Administrative services	74,028	63,009	11,019	101,006
Capital Outlay	<u>5,265</u>	<u>15,265</u>	<u>(10,000)</u>	
<b>Total Expenditures</b>	<u>79,293</u>	<u>78,274</u>	<u>1,019</u>	<u>101,006</u>
<b>Changes in fund balance</b>	(22,973)	(12,708)	10,265	(33,242)
<b>Fund balance - beginning</b>	<u>63,711</u>	<u>63,711</u>		<u>96,953</u>
<b>Fund balance - ending</b>	<u>\$ 40,738</u>	<u>\$ 51,003</u>	<u>\$ 10,265</u>	<u>\$ 63,711</u>

**CITY OF SUGAR LAND, TEXAS**  
**SPECIAL REVENUE FUND - LAW ENFORCEMENT GRANT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2015**  
**with comparative actual amounts for the year ended September 30, 2014**

	<b>2015</b>			
	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive / (Negative)</b>	<b>2014</b>
<b>Revenues</b>				
Investment earnings	\$	\$ 70	\$ 70	\$ 120
Intergovernmental				
Other		88,238	88,238	21,055
<b>Total Revenues</b>		<b>88,308</b>	<b>88,308</b>	<b>21,175</b>
<b>Expenditures</b>				
<b>Current:</b>				
Public Safety - Police	12,897	12,897		
<b>Capital Outlay</b>	2,554	50,563	(48,009)	
<b>Total Expenditures</b>	<b>15,451</b>	<b>63,460</b>	<b>(48,009)</b>	
<b>Changes in fund balance</b>	<b>(15,451)</b>	<b>24,848</b>	<b>40,299</b>	<b>21,175</b>
<b>Fund balance - beginning</b>	<b>104,993</b>	<b>104,993</b>		<b>83,818</b>
<b>Fund balance - ending</b>	<b>\$ 89,542</b>	<b>\$ 129,841</b>	<b>\$ 40,299</b>	<b>\$ 104,993</b>

**CITY OF SUGAR LAND, TEXAS*****SPECIAL REVENUE FUND - PHOTOGRAPHIC TRAFFIC ENFORCEMENT FUND******SCHEDULE OF REVENUES, EXPENDITURES AND******CHANGES IN FUND BALANCE - BUDGET AND ACTUAL******For the Year Ended September 30, 2015******with comparative actual amounts for the year ended September 30, 2014***

	<b>2015</b>			
	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive / (Negative)</b>	<b>2014</b>
<b>Revenues</b>				
Fines and forfeitures	\$ 1,876,180	\$ 1,967,721	\$ 91,541	\$ 1,953,811
Investment earnings	736	1,134	398	1,248
<b>Total Revenues</b>	<u>1,876,916</u>	<u>1,968,855</u>	<u>91,939</u>	<u>1,955,059</u>
<b>Expenditures</b>				
Current:				
Public Safety - Police	<u>1,306,311</u>	<u>1,342,198</u>	<u>(35,887)</u>	<u>1,283,388</u>
<b>Total Expenditures</b>	<u>1,306,311</u>	<u>1,342,198</u>	<u>(35,887)</u>	<u>1,283,388</u>
<b>Revenues over (under) expenditures</b>	<u>570,605</u>	<u>626,657</u>	<u>56,052</u>	<u>671,671</u>
<b>Other Financing Sources (Uses)</b>				
Transfers (out)	<u>(570,605)</u>	<u>(656,523)</u>	<u>(85,918)</u>	<u>(671,172)</u>
<b>Changes in fund balance</b>		(29,866)	(29,866)	499
<b>Fund balance - beginning</b>	<u>12,432</u>	<u>12,432</u>		<u>11,933</u>
<b>Fund balance - ending</b>	<u>\$ 12,432</u>	<u>\$ (17,434)</u>	<u>\$ (29,866)</u>	<u>\$ 12,432</u>



**CITY OF SUGAR LAND, TEXAS****SPECIAL REVENUE FUND - DEBT REDUCTION FUNDS****SCHEDULE OF REVENUES, EXPENDITURES AND****CHANGES IN FUND BALANCE - BUDGET AND ACTUAL***For the Year Ended September 30, 2015**with comparative actual amounts for the year ended September 30, 2014*

	<b>2015</b>			
	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive / (Negative)</b>	<b>2014</b>
<b>Revenues</b>				
Investment earnings	\$ 25,895	\$ 32,938	\$ 7,043	\$ 15,048
Intergovernmental	686,694	863,858	177,164	804,497
<b>Total Revenues</b>	<u>712,589</u>	<u>896,796</u>	<u>184,207</u>	<u>819,545</u>
<b>Expenditures</b>				
Current:				
General government	145,807	98,807	47,000	35,743
<b>Total Expenditures</b>	<u>145,807</u>	<u>98,807</u>	<u>47,000</u>	<u>35,743</u>
<b>Revenues over (under) expenditures</b>	<u>566,782</u>	<u>797,989</u>	<u>231,207</u>	<u>783,802</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	467,955	443,977	(23,978)	454,550
<b>Changes in fund balance</b>	<u>1,034,737</u>	<u>1,241,966</u>	<u>207,229</u>	<u>1,238,352</u>
<b>Fund balance - beginning</b>	<u>6,010,645</u>	<u>6,010,645</u>		<u>4,772,293</u>
<b>Fund balance - ending</b>	<u>\$ 7,045,382</u>	<u>\$ 7,252,611</u>	<u>\$ 207,229</u>	<u>\$ 6,010,645</u>

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## **CITY OF SUGAR LAND, TEXAS**

### **INTERNAL SERVICE FUNDS**

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

**Employee Benefits Fund** - This fund is used to account for all financial resources for employee benefits provided to employees except for workers' compensation and retirement.

**Fleet Replacement Fund** - This fund is used to account for all financial resources for vehicle and equipment replacement.

**High-Technology Replacement Fund** - This fund is used to account for all financial resources for electronic and radio equipment replacement.

**CITY OF SUGAR LAND, TEXAS**  
**COMBINING STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**September 30, 2015**

	<b>Employee Benefits Fund</b>	<b>Fleet Replacement Fund</b>	<b>High- Technology Replacement Fund</b>	<b>Total</b>
<b>Assets</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 1,027,746	\$ 511,837	\$ 790,969	\$2,330,552
Cash with fiscal agent	488,000			488,000
Investments		1,998,686	1,744,849	3,743,535
Accounts receivable, net of allowance for doubtful accounts	(4,951)	54,800		49,849
Interest receivable		5,628	3,398	9,026
Prepaid items	20,600	3,127		23,727
<b>Total current assets</b>	<b>1,531,395</b>	<b>2,574,078</b>	<b>2,539,216</b>	<b>6,644,689</b>
<b>Non-current assets:</b>				
Capital assets being depreciated:				
Equipment and furniture		6,124,710	3,306,969	9,431,679
Less accumulated depreciation		(4,635,121)	(2,488,438)	(7,123,559)
<b>Total non-current assets</b>		<b>1,489,589</b>	<b>818,531</b>	<b>2,308,120</b>
<b>Total Assets</b>	<b>1,531,395</b>	<b>4,063,667</b>	<b>3,357,747</b>	<b>8,952,809</b>
<b>Liabilities</b>				
<b>Current liabilities:</b>				
Accounts payable	2,053,993	17,953	583,444	2,655,390
<b>Total Liabilities</b>	<b>2,053,993</b>	<b>17,953</b>	<b>583,444</b>	<b>2,655,390</b>
<b>Net Position</b>				
Investment in capital assets		1,489,589	818,531	2,308,120
Unrestricted	(522,598)	2,556,125	1,955,772	3,989,299
<b>Total Net Position</b>	<b>\$ (522,598)</b>	<b>\$ 4,045,714</b>	<b>\$ 2,774,303</b>	<b>\$6,297,419</b>

**CITY OF SUGAR LAND, TEXAS****COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION****INTERNAL SERVICE FUNDS***For the Year Ended September 30, 2015*

	<b>Employee Benefits Fund</b>	<b>Fleet Replacement Fund</b>	<b>High- Technology Replacement Fund</b>	<b>Total</b>
<b>Revenues</b>				
Charges for services	\$ 7,506,569	\$ 979,962	\$ 1,293,521	\$ 9,780,052
<b>Total operating revenues</b>	<u>7,506,569</u>	<u>979,962</u>	<u>1,293,521</u>	<u>9,780,052</u>
<b>Operating Expenses</b>				
Personnel services		21,364		21,364
Supplies and materials		132,566	703,522	836,088
Contractual services	91,809	12,352	41,367	145,528
Repairs and maintenance			19,942	19,942
Insurance claims	8,309,517			8,309,517
Depreciation		542,196	413,172	955,368
<b>Total operating expenses</b>	<u>8,401,326</u>	<u>708,478</u>	<u>1,178,003</u>	<u>10,287,807</u>
Operating income (loss)	<u>(894,757)</u>	<u>271,484</u>	<u>115,518</u>	<u>(507,755)</u>
<b>Non-Operating Revenues (Expenses)</b>				
Interest and investment revenue	390	18,991	12,731	32,112
Miscellaneous income		67		67
Gain (loss) on disposal of capital assets		105,374	(4,228)	101,146
<b>Total non-operating revenue (expenses)</b>	<u>390</u>	<u>124,432</u>	<u>8,503</u>	<u>133,325</u>
Income (loss) before transfers	(894,367)	395,916	124,021	(374,430)
Transfers in	<u>950,000</u>			<u>950,000</u>
Change in net position	55,633	395,916	124,021	575,570
<b>Total net position - beginning</b>	<u>(578,231)</u>	<u>3,649,798</u>	<u>2,650,282</u>	<u>5,721,849</u>
<b>Total net position - ending</b>	<u>\$ (522,598)</u>	<u>\$ 4,045,714</u>	<u>\$ 2,774,303</u>	<u>\$ 6,297,419</u>

**CITY OF SUGAR LAND, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
*For the Year Ended September 30, 2015*

	<b>Employee Benefits Fund</b>	<b>Fleet Replacement Fund</b>	<b>High- Technology Replacement Fund</b>	<b>Total</b>
<b>Cash Flows from Operating Activities:</b>				
Receipts from interfund charges for services	\$ 7,518,133	\$ 979,962	\$ 1,293,521	\$ 9,791,616
Disbursed for personnel services		(21,364)		(21,364)
Disbursed for goods and services	(8,252,965)	(156,068)	(349,898)	(8,758,931)
<b>Net cash provided (used) by operating activities</b>	<b>(734,832)</b>	<b>802,530</b>	<b>943,623</b>	<b>1,011,321</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Transfers from other funds	950,000			950,000
Payment to fiscal agent	(146,000)			(146,000)
<b>Net cash provided by (used by) noncapital financing activities</b>	<b>804,000</b>			<b>804,000</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Proceeds from the sale of equipment		107,417	1,388	108,805
Acquisition and construction of capital assets		(645,234)	(431,296)	(1,076,530)
<b>Net cash used by capital and related financing activities</b>		<b>(537,817)</b>	<b>(429,908)</b>	<b>(967,725)</b>
<b>Cash Flows from Investing Activities</b>				
Purchase of investments	250,264	(502,591)	(497,844)	(750,171)
Interest received	392	14,981	10,007	25,380
<b>Net cash provided by (used by) investing activities</b>	<b>250,656</b>	<b>(487,610)</b>	<b>(487,837)</b>	<b>(724,791)</b>
<b>Net increase/(decrease) in cash and equivalents</b>	<b>319,824</b>	<b>(222,897)</b>	<b>25,878</b>	<b>122,805</b>
Cash and equivalents, beginning of year	707,922	734,734	765,091	2,207,747
<b>Cash and equivalents, at end of year</b>	<b>\$ 1,027,746</b>	<b>\$ 511,837</b>	<b>\$ 790,969</b>	<b>\$ 2,330,552</b>
<b>Reconciliation of operating income to net cash provided by operating activities</b>				
Operating income (loss)	\$ (894,757)	\$ 271,484	\$ 115,518	\$ (507,755)
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>				
Depreciation		542,196	413,172	955,368
(Increase) decrease in accounts receivable	11,564	(17,319)	44,711	38,956
(Increase) decrease in prepaid expenses	2,346	(3,127)		(781)
Increase (decrease) in accounts payable	146,015	9,296	370,222	525,533
<b>Net cash provided by operating activities</b>	<b>\$ (734,832)</b>	<b>\$ 802,530</b>	<b>\$ 943,623</b>	<b>\$ 1,011,321</b>

**DISCRETELY PRESENTED COMPONENT UNITS  
FUND BASED FINANCIAL STATEMENTS**

**CITY OF SUGAR LAND, TEXAS**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**BALANCE SHEETS - GOVERNMENTAL FUNDS**  
**September 30, 2015**

	<b>Sugar Land 4B Corporation</b>	<b>Sugar Land Town Square Tax Increment Reinvestment Zone No. 1</b>	<b>Sugar Land Reinvestment Zone No. 3</b>	<b>Sugar Land Reinvestment Zone No. 4</b>	<b>Total</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 1,764,316	\$ 74,499	\$ 117,591	\$ 557,140	\$ 2,513,546
Investments	3,752,633				3,752,633
Accounts receivable, net of allowance for doubtful accounts	1,048,635	47		2,340	1,051,022
Interest receivable	8,717				8,717
Prepaid items	1,639				1,639
Restricted cash and cash equivalents	1,037,235		9,054		1,046,289
Restricted investments	2,651,981				2,651,981
<b>Total Assets</b>	<u>10,265,156</u>	<u>74,546</u>	<u>126,645</u>	<u>559,480</u>	<u>11,025,827</u>
<b>Liabilities</b>					
Accounts payable and accrued expenses	248,961				248,961
<b>Total Liabilities</b>	<u>248,961</u>				<u>248,961</u>
<b>Fund Balances</b>					
Nonspendable:					
Prepaid items	1,639				1,639
Restricted:					
Debt service	2,651,981				2,651,981
Development activities	7,362,575	74,546	126,645	559,480	8,123,246
<b>Total Fund Balances</b>	<u>10,016,195</u>	<u>74,546</u>	<u>126,645</u>	<u>559,480</u>	<u>10,776,866</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 10,265,156</u>	<u>\$ 74,546</u>	<u>\$ 126,645</u>	<u>\$ 559,480</u>	<u>\$ 11,025,827</u>

**Reconciliation from Fund Balance to Net Position**

<b>Fund Balance</b>	\$ 10,016,195	\$ 74,546	\$ 126,645	\$ 559,480	\$ 10,776,866
Plus deferred outflows of resources	153,596				153,596
Less long-term liabilities	(35,851,387)				(35,851,387)
Less interest payable	(198,603)				(198,603)
<b>Net Position</b>	<u>\$ (25,880,199)</u>	<u>\$ 74,546</u>	<u>\$ 126,645</u>	<u>\$ 559,480</u>	<u>\$ (25,119,528)</u>



**CITY OF SUGAR LAND, TEXAS**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2015**

	<b>Sugar Land 4B Corporation</b>	<b>Sugar Land Town Square Tax Increment Reinvestment Zone No. 1</b>	<b>Sugar Land Reinvestment Zone No. 3</b>	<b>Sugar Land Reinvestment Zone No. 4</b>	<b>Total Component Units</b>
<b>Revenues</b>					
<b>Taxes:</b>					
Property taxes	\$	\$ 1,261,020	\$ 75,108	\$ 434,716	\$ 1,770,844
Sales tax	6,425,156				6,425,156
Intergovernmental	152,911				152,911
Investment earnings	56,384	409	102	330	57,225
Other	196,391	309			196,700
<b>Total Revenues</b>	<u>6,830,842</u>	<u>1,261,738</u>	<u>75,210</u>	<u>435,046</u>	<u>8,602,836</u>
<b>Expenditures</b>					
<b>Current:</b>					
General government	1,994,068	1,333,145			3,327,213
<b>Debt Service:</b>					
Principal	1,780,000				1,780,000
Interest	1,586,094				1,586,094
<b>Total Expenditures</b>	<u>5,360,162</u>	<u>1,333,145</u>			<u>6,693,307</u>
<b>Revenues over (under) expenditures</b>	1,470,680	(71,407)	75,210	435,046	1,909,529
<b>Fund balance - beginning</b>	<u>8,545,515</u>	<u>145,953</u>	<u>51,435</u>	<u>124,434</u>	<u>8,867,337</u>
<b>Fund balances - ending</b>	<u>\$ 10,016,195</u>	<u>\$ 74,546</u>	<u>\$ 126,645</u>	<u>\$ 559,480</u>	<u>\$ 10,776,866</u>
<b>Reconciliation from changes in fund balance to changes in net position</b>					
Change in fund balance	\$ 1,470,680	\$ (71,407)	\$ 75,210	\$ 435,046	\$ 1,909,529
Add principal payments	1,780,000				1,780,000
Add other changes in long-term assets and liabilities	9,120				9,120
<b>Changes in Net Position</b>	<u>\$ 3,259,800</u>	<u>\$ (71,407)</u>	<u>\$ 75,210</u>	<u>\$ 435,046</u>	<u>\$ 3,698,649</u>

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**CITY OF SUGAR LAND, TEXAS**  
**UNAUDITED STATISTICAL SECTION**

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

	<b>Page</b>
<b>Financial Trends</b>	108
These schedules contain trend information to help the reader understand how the City's financial performance and "well-being" have changed over time.	
<b>Revenue Capacity</b>	118
These schedules contain information to help the reader assess the City's most significant local revenue sources: sales and property taxes.	
<b>Debt Capacity</b>	127
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
<b>Demographic and Economic Information</b>	132
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
<b>Operating Information</b>	134
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**CITY OF SUGAR LAND, TEXAS****NET POSITION BY COMPONENT****LAST TEN FISCAL YEARS***Amounts in (000's)**(Accrual Basis of Accounting)*

	<b>Fiscal Year</b>			
	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>Governmental Activities</b>				
Net investment in capital assets	\$ 92,005	\$ 116,539	\$ 124,219	\$ 170,519
Restricted	7,667	12,838	14,508	18,259
Unrestricted	38,331	33,552	35,199	29,931
<b>Total governmental activities net position</b>	<b>\$ 138,003</b>	<b>\$ 162,929</b>	<b>\$ 173,926</b>	<b>\$ 218,709</b>
<b>Business-type Activities</b>				
Net investment in capital assets	\$ 143,028	\$ 195,126	\$ 199,679	\$ 210,123
Restricted	2,673	3,011	3,464	5,478
Unrestricted	7,166	4,802	7,531	8,613
<b>Total business-type net position</b>	<b>\$ 152,867</b>	<b>\$ 202,939</b>	<b>\$ 210,674</b>	<b>\$ 224,214</b>
<b>Primary government</b>				
Net investment in capital assets	\$ 235,033	\$ 311,665	\$ 323,898	\$ 380,643
Restricted	10,340	15,849	17,972	23,738
Unrestricted	45,497	38,354	42,730	38,543
<b>Total primary government net position</b>	<b>\$ 290,870</b>	<b>\$ 365,868</b>	<b>\$ 384,600</b>	<b>\$ 442,924</b>

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$ 161,857	\$ 213,685	\$ 255,293	\$ 280,082	\$ 282,719	\$ 268,582
21,535	14,705	18,863	20,305	28,311	51,880
28,639	26,882	27,698	32,551	37,503	24,026
<u>\$ 212,031</u>	<u>\$ 255,272</u>	<u>\$ 301,854</u>	<u>\$ 332,937</u>	<u>\$ 348,533</u>	<u>\$ 344,487</u>
\$ 218,494	\$ 224,092	\$ 240,741	\$ 231,676	\$ 229,356	\$ 224,544
6,963	7,475	7,926	8,068	26,945	27,736
10,200	15,760	9,848	23,675	16,718	22,722
<u>\$ 235,657</u>	<u>\$ 247,327</u>	<u>\$ 258,515</u>	<u>\$ 263,418</u>	<u>\$ 273,019</u>	<u>\$ 275,002</u>
\$ 380,352	\$ 437,777	\$ 496,034	\$ 511,757	\$ 512,075	\$ 493,125
28,498	22,180	26,789	28,372	55,256	79,616
38,838	42,642	37,546	56,226	54,221	46,748
<u>\$ 447,688</u>	<u>\$ 502,599</u>	<u>\$ 560,369</u>	<u>\$ 596,355</u>	<u>\$ 621,552</u>	<u>\$ 619,489</u>

**CITY OF SUGAR LAND, TEXAS**  
**CHANGES IN NET POSITION**  
*Last Ten Fiscal Years*  
*(Accrual Basis of Accounting)*

	Fiscal Year			
	2006	2007	2008	2009
<b>Expenses</b>				
<b>Governmental Activities:</b>				
General government	\$ 9,495,752	\$ 10,423,331	\$ 11,839,672	\$ 14,638,050
Administrative services	6,350,781	10,298,466	11,145,609	15,469,507
Public safety - Police	12,352,022	13,854,658	15,560,440	16,045,992
Public safety - Fire	8,476,255	9,088,288	11,075,689	14,530,795
Public safety - EMS				
Public works	21,727,624	14,478,873	13,354,211	14,136,657
Parks and recreation	3,158,684	3,151,255	3,515,675	3,944,900
Community development	3,764,431	2,421,116	4,713,084	3,812,432
Interest on long-term debt	3,356,457	4,907,490	5,365,325	5,490,374
<b>Total governmental activities expenses</b>	<b>68,682,006</b>	<b>68,623,477</b>	<b>76,569,705</b>	<b>88,068,707</b>
<b>Business-Type Activities:</b>				
Utility	15,377,787	16,893,917	19,674,836	21,943,160
Regional airport	9,334,903	9,486,024	12,932,066	9,879,544
Surface Water				
Solid waste management	3,054,482	3,200,763	3,864,419	4,538,631
<b>Total business-type activities expenses</b>	<b>27,767,172</b>	<b>29,580,704</b>	<b>36,471,321</b>	<b>36,361,335</b>
<b>Total primary government expenses</b>	<b>\$ 96,449,178</b>	<b>\$ 98,204,181</b>	<b>\$ 113,041,026</b>	<b>\$ 124,430,042</b>
<b>Program Revenues</b>				
<b>Governmental Activities:</b>				
<b>Charges for services:</b>				
Administrative services	\$ 1,885,020	\$ 2,046,873	\$ 2,924,426	\$ 3,839,810
Public safety - Fire	1,771,151	1,674,410	1,682,088	1,908,129
Public safety - EMS				
Community development	2,052,192	2,783,375	2,564,714	2,364,539
Other	1,163,433	588,174	1,705,382	1,967,236
Operating grants and contributions	1,593,649	1,672,011	2,547,348	5,139,071
Capital grants and contributions	3,160,386	15,149,904	4,193,480	42,710,113
<b>Total governmental activities program revenues</b>	<b>11,625,831</b>	<b>23,914,747</b>	<b>15,617,438</b>	<b>57,928,898</b>
<b>Business-Type Activities</b>				
<b>Charges for services:</b>				
Utility	19,179,355	21,612,433	25,166,996	29,085,428
Regional airport	9,391,418	10,121,153	13,076,039	8,843,750
Surface Water				
Solid waste management	3,018,814	3,138,901	3,980,877	4,497,802
Operating grants and contributions	3,371,408	92,406	88,595	59,880
Capital grants and contributions	15,812,287	50,077,524	7,345,680	12,531,211
<b>Total business-type activities program revenues</b>	<b>50,773,282</b>	<b>85,042,417</b>	<b>49,658,187</b>	<b>55,018,071</b>
<b>Total primary government program revenues</b>	<b>\$ 62,399,113</b>	<b>\$ 108,957,164</b>	<b>\$ 65,364,092</b>	<b>\$ 112,946,969</b>
<b>Net (Expense) Revenue</b>				
Governmental activities	\$(57,056,175)	\$(44,708,730)	\$(60,952,267)	\$(30,139,809)
Business-type activities	23,006,110	55,461,713	13,186,866	18,656,736
<b>Total primary government net expense</b>	<b>\$(34,050,065)</b>	<b>\$ 10,752,983</b>	<b>\$(47,765,401)</b>	<b>\$(11,483,073)</b>

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$ 11,950,794	\$ 11,969,433	\$ 11,463,677	\$ 13,087,580	\$ 15,675,644	\$ 12,886,353
14,617,875	12,721,478	9,802,035	10,471,115	7,876,517	9,067,022
17,126,183	18,095,251	18,354,251	18,333,422	19,541,680	21,128,023
10,325,782	10,199,579	10,898,603	10,838,009	12,045,062	13,164,239
					1,916,547
16,673,481	17,027,897	22,311,568	23,481,443	24,894,769	30,122,770
9,159,332	7,264,499	8,504,303	8,177,350	7,916,451	8,286,024
4,073,334	4,038,545	4,855,764	4,667,336	5,188,471	5,672,387
5,394,340	6,555,667	5,908,721	5,066,337	5,910,083	10,243,695
89,321,121	87,872,349	92,098,922	94,122,592	99,048,677	112,487,060
22,248,954	26,487,388	28,574,352	39,919,147	22,848,223	27,923,518
11,366,997	14,874,179	16,002,860	16,633,872	16,828,870	14,335,885
			6,670,417	12,098,623	16,079,024
5,279,327	5,305,970	5,087,731	5,067,548	5,147,195	5,625,859
38,895,278	46,667,537	49,664,943	68,290,984	56,922,911	63,964,286
\$ 128,216,399	\$ 134,539,886	\$ 141,763,865	\$ 162,413,576	\$ 155,971,588	\$ 176,451,346
\$ 3,352,232	\$ 3,916,555	\$ 3,663,149	\$ 3,261,324	\$ 2,678,310	\$ 6,906,002
1,552,253	1,526,340	2,102,494	2,229,152	2,233,714	2,369,089
					459,223
2,188,436	2,404,638	2,376,127	2,817,871	3,033,205	3,494,806
3,608,192	3,534,161	3,231,665	2,748,396	4,766,369	4,967,637
1,480,490	1,019,323	1,566,549	1,517,342	936,559	2,831,268
8,420,807	42,497,257	43,196,769	27,028,874	9,004,691	11,071,624
20,602,410	54,898,274	56,136,753	39,602,959	22,652,848	32,099,649
27,593,557	35,625,109	40,543,433	42,958,217	31,417,468	29,844,425
11,084,688	14,355,810	15,675,468	16,576,205	16,939,277	13,747,794
			4,184,027	12,884,852	13,192,793
4,859,770	5,264,072	5,068,656	5,007,131	5,030,491	5,770,866
216,570	354,865	84,271	65,091	73,199	131,567
12,163,511	8,193,030	6,297,452	11,560,813	6,641,939	3,020,185
55,918,096	63,792,886	67,669,280	80,351,484	72,987,226	65,707,630
\$ 76,520,506	\$ 118,691,160	\$ 123,806,033	\$ 119,954,443	\$ 95,640,074	\$ 97,807,279
\$ (68,718,711)	\$ (32,974,075)	\$ (35,962,169)	\$ (54,519,633)	\$ (76,395,829)	\$ (80,387,411)
17,022,818	17,125,349	18,004,337	12,060,500	16,064,315	1,743,344
\$ (51,695,893)	\$ (15,848,726)	\$ (17,957,832)	\$ (42,459,133)	\$ (60,331,514)	\$ (78,644,067)

**CITY OF SUGAR LAND, TEXAS**  
**CHANGES IN NET POSITION (continued)**  
*Last Ten Fiscal Years*  
*(Accrual Basis of Accounting)*

	<b>Fiscal Year</b>			
	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>General Revenues and Other Changes in Net Position</b>				
<b>Governmental Activities:</b>				
<b>Taxes:</b>				
Property taxes	\$ 21,110,181	\$ 21,773,074	\$ 22,716,623	\$ 26,207,576
Sales tax	30,910,495	32,670,300	34,398,124	34,823,327
Franchise and other taxes	5,607,253	5,722,424	6,135,916	6,377,523
Unrestricted grants and contributions	1,056,108			
Investment earnings	2,529,438	3,126,277	1,999,308	1,194,603
Miscellaneous	26,412	20,311	587,370	729,542
Special Item				
Transfers	5,463,678	6,322,645	6,112,762	5,590,028
<b>Total governmental activities</b>	<b>66,703,565</b>	<b>69,635,031</b>	<b>71,950,103</b>	<b>74,922,599</b>
<b>Business-Type Activities:</b>				
Investment earnings	918,322	975,420	661,026	473,837
Miscellaneous				
Transfers	(5,463,678)	(6,322,645)	(6,112,762)	(5,590,028)
<b>Total business-type activities</b>	<b>(4,545,356)</b>	<b>(5,347,225)</b>	<b>(5,451,736)</b>	<b>(5,116,191)</b>
<b>Total primary government</b>	<b>\$ 62,158,209</b>	<b>\$ 64,287,806</b>	<b>\$ 66,498,367</b>	<b>\$ 69,806,408</b>
<b>Changes in Net Position:</b>				
Governmental activities	\$ 9,647,390	\$ 24,926,301	\$ 10,997,836	\$ 44,782,790
Business-type activities	18,460,754	50,114,488	7,735,130	13,540,545
<b>Total primary government</b>	<b>\$ 28,108,144</b>	<b>\$ 75,040,789</b>	<b>\$ 18,732,966</b>	<b>\$ 58,323,335</b>



Fiscal Year					
2010	2011	2012	2013	2014	2015
\$ 29,128,113	\$ 27,539,737	\$ 28,282,258	\$ 29,920,274	\$ 31,367,793	\$ 34,205,770
33,039,840	35,086,830	38,239,215	39,790,138	43,453,673	45,320,979
6,611,934	6,751,900	7,472,103	8,019,976	8,373,935	8,398,820
467,715	360,902	250,959	236,117	240,913	1,062,965
849,701	756,532	1,054,383	1,328,239	1,393,438	1,297,768
(13,906,224)					
5,849,543	5,718,716	7,245,571	7,287,990	7,161,781	(1,300,673)
62,040,622	76,214,617	82,544,489	86,582,734	91,991,533	88,985,629
269,249	263,593	429,350	218,645	117,683	531,396
			404,274	580,735	59,565
(5,849,543)	(5,718,716)	(7,245,571)	(7,287,990)	(7,161,781)	1,300,673
(5,580,294)	(5,455,123)	(6,816,221)	(6,665,071)	(6,463,363)	1,891,634
\$ 56,460,328	\$ 70,759,494	\$ 75,728,268	\$ 79,917,663	\$ 85,528,170	\$ 90,877,263
\$ (6,678,089)	\$ 43,240,542	\$ 46,582,320	\$ 32,063,101	\$ 15,595,704	\$ 8,598,218
11,442,524	11,670,226	11,188,116	5,395,429	9,600,952	3,634,978
\$ 4,764,435	\$ 54,910,768	\$ 57,770,436	\$ 37,458,530	\$ 25,196,656	\$ 12,233,196

**CITY OF SUGAR LAND****FUND BALANCES OF GOVERNMENTAL FUNDS****Last Ten Fiscal Years****(Modified Accrual Basis of Accounting)**

	<b>Fiscal Year</b>			
	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>General fund</b>				
Nonspendable:				
Inventories	\$ 131,789	\$ 149,015	\$ 214,910	\$ 160,160
Prepaid items	22,381	24,722	35,264	49,701
Committed				
Assigned	570,325	736,341	3,239,821	877,578
Unassigned	22,970,366	25,350,615	23,284,240	26,649,204
<b>Total General fund</b>	<b>\$23,694,861</b>	<b>\$26,260,693</b>	<b>\$26,774,235</b>	<b>\$27,736,643</b>
<b>All other governmental funds</b>				
Nonspendable:				
Prepaid items	\$ 600,104	\$ 599,557	\$	\$ 2,740
Restricted:				
Debt service	7,742,929	6,760,482	6,831,645	7,473,977
Capital projects	17,023,058	10,107,767	16,612,280	8,409,874
Development activities	6,473,506	5,963,238	8,759,190	11,255,576
Public safety	371,250	330,232	377,885	676,382
Drainage improvement		245,497		
Unassigned		(83,290)		
<b>Total all other governmental funds</b>	<b>\$32,210,847</b>	<b>\$23,923,483</b>	<b>\$32,581,000</b>	<b>\$27,818,549</b>

Note: In conforming to provisions of GASB Statement No. 54, fund balances of prior periods were restated to the new fund balance classifications.

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$ 170,230	\$ 169,208	\$ 160,635	\$ 209,793	\$ 217,124	\$ 204,263
48,690	49,727	43,861	30,008	25,655	18,328
			463,599	3,091,704	146,728
1,259,302	638,523	652,316	219,357	385,205	339,946
26,400,935	25,359,638	24,260,117	25,740,747	24,544,824	28,085,267
<u>\$ 27,879,157</u>	<u>\$ 26,217,096</u>	<u>\$ 25,116,929</u>	<u>\$ 26,663,504</u>	<u>\$ 28,264,512</u>	<u>\$ 28,794,532</u>
\$ 2,740	\$ 9,740	\$ 2,740	\$ 2,740	\$ 2,740	\$ 2,740
9,822,105	7,602,464	7,397,649	9,419,630	11,448,975	11,892,292
39,154,554	30,931,980	15,443,725	3,517,678	23,785,846	60,550,768
12,205,088	7,015,201	10,918,203	11,289,169	16,408,537	41,223,466
1,053,827	1,488,292	1,779,756	230,282	209,920	202,439
					(17,434)
<u>\$ 62,238,314</u>	<u>\$ 47,047,677</u>	<u>\$ 35,542,073</u>	<u>\$ 24,459,499</u>	<u>\$ 51,856,018</u>	<u>\$ 113,854,271</u>

**CITY OF SUGAR LAND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
*Last Ten Fiscal Years*  
*(Modified Accrual Basis of Accounting)*

	<b>Fiscal Year</b>			
	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>Revenues</b>				
<b>Taxes:</b>				
General property	\$ 21,063,738	\$ 21,654,619	\$ 22,648,350	\$ 26,145,691
Sales and use taxes	32,217,608	34,161,008	36,048,286	36,389,644
Franchise taxes	4,300,140	4,231,716	4,485,754	4,661,287
Licenses and permits	1,993,057	2,713,913	2,398,765	2,160,999
Fines and forfeitures	1,376,926	1,666,349	2,845,153	3,088,489
Charges for services	2,776,596	3,283,310	4,056,076	4,849,709
Investment earnings	2,419,131	2,960,813	1,882,428	1,128,345
Intergovernmental	3,133,325	2,273,746	3,883,420	12,865,312
Other	454,938	77,914	814,787	364,509
<b>Total Revenues</b>	<b>69,735,459</b>	<b>73,023,388</b>	<b>79,063,019</b>	<b>91,653,985</b>
<b>Expenditures</b>				
General government	8,930,578	9,146,314	14,563,908	9,451,503
Administrative services	5,282,580	8,684,560	5,415,343	14,039,145
Public safety	19,736,392	22,322,526	25,354,202	30,413,697
Public works	7,415,075	5,503,132	6,045,538	6,205,250
Parks and recreation	2,476,977	2,501,447	2,777,315	2,960,890
Community development	3,097,520	3,434,872	3,794,196	3,747,772
<b>Debt Service:</b>				
Principal	12,634,438	12,283,907	11,139,672	11,104,420
Interest and other charges	7,269,724	5,718,988	5,338,204	5,341,234
Capital outlay	20,391,276	14,469,153	11,185,254	18,745,284
<b>Total Expenditures</b>	<b>87,234,560</b>	<b>84,064,899</b>	<b>85,613,632</b>	<b>102,009,195</b>
Excess of revenues over (under) expenditures	(17,499,101)	(11,041,511)	(6,550,613)	(10,355,210)
<b>Other Financing Sources (Uses)</b>				
Certificates of obligation issued				
General obligation bonds issued	9,980,000		11,385,000	
Revenue bonds issued	12,365,000			
Refunding bonds issued	25,695,000			
Premium (discount) on debt issued	980,763			
Payments to refunded bond escrow agent	(26,292,055)			
Proceeds of the sale of capital assets				1,668,756
Capital leases				623,300
Transfers in	12,371,780	13,942,261	11,479,267	10,350,336
Transfers (out)	(7,893,696)	(8,622,276)	(7,142,591)	(6,087,227)
<b>Total other financing sources (uses)</b>	<b>27,206,792</b>	<b>5,319,985</b>	<b>15,721,676</b>	<b>6,555,165</b>
Net change in fund balances	<u>\$ 9,707,691</u>	<u>\$ (5,721,526)</u>	<u>\$ 9,171,063</u>	<u>\$ (3,800,045)</u>
Debt service as a percentage of noncapital expenditures	29.8%	25.9%	22.1%	19.8%

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$ 29,102,845	\$ 27,588,283	\$ 28,242,085	\$ 29,874,615	\$ 31,356,582	\$ 34,073,015
34,581,479	36,857,302	40,111,821	39,344,519	43,008,054	44,975,136
4,920,376	4,731,821	5,161,877	8,019,976	8,373,935	8,398,820
2,163,562	2,371,944	2,332,393	2,817,871	3,033,205	3,494,806
3,273,032	3,874,845	3,399,284	3,364,798	3,964,053	3,956,657
3,694,519	3,399,457	3,182,908	3,649,563	4,477,416	9,792,915
461,633	352,469	242,856	230,542	235,034	1,030,032
8,183,086	30,102,390	29,941,993	4,477,965	14,014,873	4,853,727
308,694	5,345,683	1,193,356	1,444,727	1,300,331	4,676,006
86,689,226	114,624,194	113,808,573	93,224,576	109,763,483	115,251,114
10,682,661	10,421,139	10,350,520	12,019,511	13,934,579	13,932,805
12,200,260	10,728,359	6,665,760	7,708,191	7,743,921	9,221,555
26,263,330	28,858,550	27,852,455	27,951,639	29,573,636	38,688,191
9,397,495	10,092,059	15,280,951	14,456,178	13,947,304	17,764,680
8,088,715	6,131,140	7,245,735	6,782,321	6,726,036	5,452,923
3,981,327	3,965,737	4,781,203	4,592,647	4,917,761	5,583,223
12,458,335	14,744,007	13,643,295	12,529,510	12,216,112	13,339,382
6,486,624	6,491,477	5,769,576	5,261,161	6,040,441	9,729,179
12,099,869	44,225,175	38,821,615	15,262,218	21,672,372	55,311,453
101,658,616	135,657,643	130,411,110	106,563,376	116,772,162	169,023,391
(14,969,390)	(21,033,449)	(16,602,537)	(13,338,800)	(7,008,679)	(53,772,277)
40,775,000				24,440,000	52,115,000
2,435,000					13,010,000
				7,200,000	38,265,000
26,810,000		9,440,000	4,295,000		28,940,000
1,707,730		806,260	491,941	201,566	11,469,874
(28,296,220)		(10,328,482)	(4,758,878)		(32,902,683)
78,465	125,995	90,953	78,516	54,949	54,099
1,709,042					3,510,000
10,438,670	17,193,975	13,518,223	16,183,645	13,794,353	12,979,491
(6,126,018)	(13,139,219)	(9,530,188)	(10,987,848)	(9,684,662)	(11,140,231)
49,531,669	4,180,751	3,996,766	5,302,376	36,006,206	116,300,550
\$ 34,562,279	\$ (16,852,698)	\$ (12,605,771)	\$ (8,036,424)	\$ 28,997,527	\$ 62,528,273
21.2%	23.2%	21.2%	19.5%	19.2%	20.3%

**CITY OF SUGAR LAND, TEXAS****TAXABLE SALES***Most Recent Calendar Year and Nine Years Ago*

	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Retail trade	\$ 705,149,129	\$ 809,548,650	\$ 1,041,357,085	\$ 845,579,899
Accommodation/Food Services	141,406,079	160,203,538	183,194,577	192,532,921
Wholesale trade	129,590,118	100,998,889	126,340,529	145,219,665
Construction	82,435,685	148,647,428	125,525,252	76,785,094
Information	79,106,766	69,933,126	63,304,095	58,277,031
Professional/Scientific/Technical Services	30,343,466	32,611,442	43,007,134	44,337,155
Arts/Entertainment/Recreation	30,944,499	35,683,686	40,367,297	40,622,857
Manufacturing	14,117,095	18,053,650	30,304,881	33,737,478
Other services (except public administration)	19,531,951	22,030,038	23,548,996	25,214,386
Admin/Support/Waste Mgmt/Remediation Services	21,806,271	23,392,488	19,226,638	18,437,657
Real Estate/Rental/Leasing	6,757,160	13,336,535	13,107,901	20,196,130
Utilities	336,228	213,895	7,257,357	15,208,544
Management of Companies/Enterprises	60,297,155	18,611,026	5,418,090	5,144,574
Transportation/Warehousing	817,070	1,010,732	1,331,028	1,049,859
Health Care/Social Assistance	776,749	990,456	1,255,260	1,645,260
Finance/Insurance	5,634,975	1,850,429	1,207,585	1,673,015
Educational services	587,445	783,940	918,972	899,505
Mining/Quarrying/Oil and Gas Extraction	254,887,878	409,616,155	226,213,432	501,668,924
Public administration	1,990,407	744,017		
Agriculture/Forestry/Fishing/Hunting				
Other	8,483			
	<u>\$ 1,586,524,609</u>	<u>\$ 1,868,260,120</u>	<u>\$ 1,952,886,109</u>	<u>\$ 2,028,229,954</u>

Source of information: Texas State Comptrollers Office.

<https://mycpa.cpa.state.tx.us/allocation/HistSales.jsp>

Sales tax rates for the past ten fiscal years were as follows:

City of Sugar Land	1.50%
Sugar Land Development Corporation	0.25%
Sugar Land 4B Corporation	0.25%
Totals	<u>2.00%</u>

<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
\$ 817,695,030	\$ 820,003,254	\$ 867,111,564	\$ 929,146,373	\$ 1,015,212,826	\$ 1,079,242,409
192,249,613	201,788,407	218,501,058	250,015,141	266,874,923	291,582,757
180,406,668	178,624,633	187,615,472	187,011,775	202,453,778	241,341,263
36,651,229	25,341,501	19,921,962	32,689,492	34,965,731	31,891,454
38,724,172	42,562,635	55,552,360	55,714,105	58,061,384	65,548,920
47,152,301	50,418,078	56,999,807	55,122,521	50,624,486	70,107,578
39,254,647	39,319,467	42,862,934	50,293,772	50,596,455	47,548,675
29,117,441	18,700,212	20,258,143	29,071,293	33,221,492	52,576,290
26,341,315	25,115,775	25,601,706	27,119,294	28,419,971	30,813,178
18,392,831	19,456,520	23,205,438	23,316,739	26,200,361	30,181,903
24,123,822	28,589,598	27,704,444	25,874,568	18,929,527	25,857,139
14,793,208	31,999,808	58,554,971	41,645,585	32,630,922	42,308,231
117,446	60,298	616,716	403,809	394,466	470,557
1,007,624	958,673	1,154,717	1,007,418	1,723,583	5,213,943
2,604,444	3,180,679	3,974,677	5,304,237	3,971,585	4,527,397
2,060,437	1,690,868	4,640,404	6,248,890	4,575,685	5,420,884
953,485	884,432	991,469	1,227,275	1,573,266	1,714,360
314,960,195	235,249	29,244,015	7,157,655	10,513,820	14,160,548
	2,506,111	5,243,483	4,931,239	4,958,782	5,096,682
		2,706			
17,250	37,492	26,574	2,382		
<u>\$ 1,786,623,158</u>	<u>\$ 1,491,473,690</u>	<u>\$ 1,649,784,620</u>	<u>\$ 1,733,303,563</u>	<u>\$ 1,845,903,043</u>	<u>\$ 2,045,604,168</u>

**CITY OF SUGAR LAND****ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY***Last Ten Fiscal Years*

<b>Fiscal Year</b>	<b>Tax Year</b>	<b>Real Property</b>		<b>Personal Property</b>		<b>Less Tax Exempt Real Property</b>
		<b>Residential Property</b>	<b>Commercial Property</b>	<b>Motor Vehicles</b>	<b>Other</b>	
2006	2005	\$ 4,323,808,102	\$ 1,788,953,340	\$ 40,183,652	\$ 852,712,174	\$ 329,143,990
2007	2006	5,004,383,727	1,993,984,330	50,625,468	909,034,631	342,153,402
2008	2007	5,293,822,227	2,309,295,100	54,542,255	1,038,400,912	504,240,160
2009	2008	5,964,689,707	2,940,782,650	63,824,522	1,148,686,784	717,583,098
2010	2009	6,599,016,544	3,151,323,744	49,058,148	1,120,834,557	741,758,020
2011	2010	6,637,355,844	3,128,749,343	49,118,861	1,095,619,013	725,421,976
2012	2011	6,809,072,671	4,251,649,252	44,595,732	21,840,700	712,702,870
2013	2012	6,969,923,228	4,416,404,289	46,289,655	21,319,710	832,310,358
2014	2013	7,304,799,346	4,716,532,408	46,326,301	11,026,160	834,025,711
2015	2014	7,848,719,852	4,902,444,421	40,119,210	10,982,250	850,115,704

Source: Budget Department of the City.

Note: All properties are assessed at 100% of actual taxable value. Tax rates are per \$100 of assessed value.



<b>Less Other Exemptions and Abatements</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>	<b>Estimated Actual Taxable Value</b>	<b>Assessed Value as a Percentage of Actual Value</b>
\$ 379,916,920	\$ 6,296,596,358	\$ 0.31711	\$ 6,296,596,358	100.00%
512,828,996	7,103,045,758	0.30655	7,103,045,758	100.00%
570,215,378	7,621,604,956	0.30000	7,621,604,956	100.00%
674,751,010	8,725,649,555	0.30000	8,725,649,555	100.00%
889,528,924	9,288,946,049	0.30000	9,288,946,049	100.00%
908,796,522	9,276,624,563	0.30000	9,276,624,563	100.00%
915,453,424	9,499,002,061	0.30245	9,499,002,061	100.00%
921,195,348	9,700,431,176	0.30895	9,700,431,176	100.00%
940,543,105	10,304,115,399	0.30895	10,304,115,399	100.00%
1,006,806,921	10,945,343,108	0.31595	10,945,343,108	100.00%

# CITY OF SUGAR LAND, TEXAS

## PROPERTY TAX RATES (A)

### DIRECT AND OVERLAPPING GOVERNMENTS (B)

Last Ten Fiscal Years

Fiscal Year Tax Year	2006 2005	2007 2006	2008 2007	2009 2008
<b>Tax Rates</b>				
City of Sugar Land				
Operating tax rate	\$ 0.14783	\$ 0.15307	\$ 0.15000	\$ 0.15575
Debt service tax rate	0.16928	0.15348	0.15000	0.14425
Total tax rate	<u>\$ 0.31711</u>	<u>\$ 0.30655</u>	<u>\$ 0.30000</u>	<u>\$ 0.30000</u>
Fort Bend County	\$ 0.51674	\$ 0.51674	\$ 0.51674	\$ 0.49976
Fort Bend ISD	1.67748	1.54000	1.25000	1.27000
Fort Bend LID 2	0.18400	0.17700	0.16500	0.14500
Fort Bend County MUD No. 21	0.47000	0.44000	0.39000	0.39000
Fort Bend LID 7	0.19000	0.18500	0.19460	0.19460
Eldridge Road MUD	0.43000	0.39000	0.32000	0.25000
Fort Bend WCID No. 2	0.18000	0.18000	0.18000	0.18000
First Colony LID No. 2	0.37500	0.31500	0.31500	0.29500
Burney Road MUD	0.35500	0.33000	0.30000	0.30000
First Colony MUD 10			0.75000	0.75000
Ft Bend MUD 136			0.63000	0.62000
Ft Bend MUD 137			0.63000	0.62000
Ft Bend MUD 138			0.63000	0.62000
Ft Bend MUD 139				

Source: Central Appraisal District Website

- (A) Tax rate per \$100 assessed valuation
- (B) Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all City property owners.

<b>2010 2009</b>	<b>2011 2010</b>	<b>2012 2011</b>	<b>2013 2012</b>	<b>2014 2013</b>	<b>2015 2014</b>
\$ 0.16000	\$ 0.16500	\$ 0.16635	\$ 0.17285	\$ 0.17285	\$ 0.17035
0.14000	0.13500	0.13610	0.13610	0.13610	0.14560
<u>\$ 0.30000</u>	<u>\$ 0.30000</u>	<u>\$ 0.30245</u>	<u>\$ 0.30895</u>	<u>\$ 0.30895</u>	<u>\$ 0.31595</u>
\$ 0.49976	\$ 0.48556	\$ 0.49976	\$ 0.48076	\$ 0.49976	\$ 0.49476
1.30500	1.34000	1.34000	1.34000	1.34000	1.34000
0.13400	0.13400	0.13400	0.12900	0.12900	0.12000
0.27000	0.26000	0.26000	0.24000		
0.19460	0.19460	0.19460	0.19460	0.20500	0.23500
0.22000	0.08000				
0.18000	0.18000	0.18000	0.18000	0.18000	0.18000
0.28500	0.27500	0.27500	0.27500	0.27500	0.25000
0.24250	0.26750	0.26750	0.26750	0.26000	0.26000
0.75000	0.49000	0.49000	0.49000	0.47000	0.41000
0.62000	0.57000	0.57000	0.54000	0.54000	0.50000
0.57000	0.57000	0.57000	0.54000	0.48000	0.43000
0.57000	0.57000	0.57000	0.54000	0.48000	0.44500
	0.57000	0.57000	0.54000	0.54000	0.44000

**CITY OF SUGAR LAND, TEXAS**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
*Last Ten Fiscal Years*

<b>Fiscal Year</b>	<b>Tax Year</b>	<b>Tax Rate</b>	<b>Total Tax Levy for Fiscal Year</b>	<b>Collected Within the Fiscal Year of the Levy</b>	
				<b>Amount</b>	<b>Percent of Levy</b>
2006	2005	\$ 0.31711	\$ 19,979,276	\$ 19,783,102	99.3%
2007	2006	0.30655	21,810,754	21,617,919	99.3%
2008	2007	0.30000	22,945,955	22,655,023	99.1%
2009	2008	0.30000	25,995,140	25,953,447	99.1%
2010	2009	0.30000	27,472,049	27,567,908	99.5%
2011	2010	0.30000	27,795,387	27,743,159	99.7%
2012	2011	0.30245	28,554,521	28,502,346	99.6%
2013	2012	0.30895	29,998,267	29,998,455	99.6%
2014	2013	0.30895	31,603,601	31,543,063	99.6%
2015	2014	0.31595	34,805,780	34,625,522	99.5%

<b>Collections (Refunds) in Subsequent Years</b>		<b>Total Collections to Date</b>	
<b>Amount</b>		<b>Amount</b>	<b>Percent of Levy</b>
\$ 189,811		\$ 19,972,912	100.0%
181,442		21,799,361	99.9%
257,434		22,912,458	99.9%
(5,750)		25,947,697	99.8%
(120,718)		27,447,190	99.9%
25,645		27,768,804	99.9%
21,618		28,523,963	99.9%
(37,590)		29,960,864	99.9%
840		31,543,903	99.8%
		34,625,522	99.5%

**CITY OF SUGAR LAND**  
**PRINCIPAL PROPERTY TAXPAYERS**  
*Current Year and Nine Years Ago*

Taxpayer	Fiscal Year 2015			Fiscal Year 2006		
	Tax Year 2014			Tax Year 2005		
	Taxable Assessed Value	Rank	% of Total Assessed Valuation	Taxable Assessed Value	Rank	% of Total Assessed Valuation
Americsource Bergen Drug Corp.	\$ 123,943,360	1	1.1%	\$ 41,380,550	8	0.7%
First Colony Mall LLC	88,847,240	2	0.8%			
Lakepointe Assets, LLC	81,000,000	3	0.7%	85,038,750	1	1.4%
Tramontina USA Inc.	80,982,960	4	0.7%	65,527,160	2	1.0%
Fairfield Industries	79,068,140	5	0.7%			
Weingarten Realty Investors	53,618,170	6	0.5%			
API Realty LLC	48,944,900	7	0.4%			
Schlumberger Tech Corp-SPC	48,691,456	8	0.4%			
LCFRE Sugar Land Town Square LLC	44,815,338	9	0.4%			
Nalco Champion	42,845,980	10	0.4%			
Sugar Land Telephone Co. (Alltel)				62,166,160	3	1.0%
Nalco Energy Services				56,876,380	4	0.9%
STC, MFG Group-SPC/Schlumberger				56,784,530	5	0.9%
Sugar Creek Place, LP/Unocal Campus				48,154,050	6	0.8%
Suntron				47,883,130	7	0.8%
GGP-Sugar Land Mall.LP/First Colony				31,475,270	9	
Baita Sugar Land Partners/Colony Square Shopping Center				27,815,570	10	0.4%
	692,757,544		6.3%	523,101,550		8.3%
Other taxpayers	10,252,585,564		93.7%	5,773,494,808		91.7%
<b>Total Assessed Valuation</b>	<b>\$ 10,945,343,108</b>		<b>100.0%</b>	<b>\$ 6,296,596,358</b>		<b>100.0%</b>

Source - Tax assessor/collector's records

Note - Assessed valuation is net of exemptions

**CITY OF SUGAR LAND, TEXAS****RATIOS OF GENERAL BONDED DEBT OUTSTANDING***Last Ten Fiscal Years*

<b>Fiscal Year</b>	<b>Tax Year</b>	<b>General Obligation Bonds</b>	<b>Less: Amounts Available in Debt Service Fund</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value* of Property</b>	<b>Per Capita**</b>
2006	2005	\$ 96,505,000	\$ 4,627,154	\$ 91,877,846	1.5%	\$ 1,234
2007	2006	87,105,001	5,029,013	82,075,988	1.2%	1,077
2008	2007	84,800,000	5,993,163	78,806,837	1.0%	1,011
2009	2008	75,795,000	4,808,870	70,986,130	0.8%	892
2010	2009	93,815,000	5,226,158	88,588,842	1.0%	1,048
2011	2010	83,855,000	7,014,403	76,840,597	0.8%	909
2012	2011	79,620,000	4,069,685	75,550,315	0.8%	894
2013	2012	72,280,000	3,230,208	69,049,792	0.7%	817
2014	2013	70,105,000	4,105,011	65,999,989	0.6%	763
2015	2014	72,460,000	4,639,682	67,820,318	0.6%	780

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

\* See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.

\*\* Population data can be found in the Schedule of Demographic and Economic Statistics.

**CITY OF SUGAR LAND**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
*Last Ten Fiscal Years*

<b>Governmental Activities</b>							
<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Annexed MUD Debt</b>	<b>Certificates of Obligation</b>	<b>Capital Leases</b>	<b>Sales Tax Revenue Bonds</b>	<b>Tax Note</b>	<b>Issuance Premiums/ (Discounts)</b>
2006	\$93,000,000	\$3,505,000	\$ 25,595,000	\$ 777,242	\$ 13,415,000	\$	\$ 928,604
2007	84,480,001	2,625,000	24,345,000	628,336	11,930,000		831,744
2008	82,895,000	1,905,000	27,505,000	474,264	11,475,000		735,959
2009	74,310,000	1,485,000	26,035,000	938,143	11,005,000		642,481
2010	87,580,000	6,235,000	56,913,005	2,430,846	10,515,000		1,561,071
2011	78,005,000	5,850,000	54,313,990	2,030,854	10,010,000		1,333,100
2012	74,095,000	5,525,000	45,376,995	1,664,554	9,485,000		1,759,679
2013	67,090,000	5,190,000	40,879,596	1,287,784	8,935,000		1,847,338
2014	58,440,000	11,665,000	63,231,995	954,273	15,345,000		1,731,326
2015	66,190,000	6,270,000	111,279,394	611,817	52,400,000	3,120,675	12,054,362

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.



**Business-Type Activities**

<b>Revenue Bonds</b>	<b>General Obligation Bonds</b>	<b>Certificates of Obligation</b>	<b>Issuance Premiums/ (Discounts)</b>	<b>Total Primary Government</b>	<b>Percentage of Personal Income*</b>	<b>Percentage of Actual Taxable value of Property</b>	<b>Per Capita *</b>
\$ 32,860,000	\$	\$ 8,685,000		\$178,765,846	6.4%	2.8%	\$2,400
30,600,000		8,375,000	98,324	163,913,405	5.8%	2.3%	2,150
43,100,000		12,455,000	89,358	180,634,581	6.2%	2.4%	2,316
40,420,000		11,990,000	80,750	166,906,374	5.6%	1.9%	2,098
65,940,000		11,946,995	220,808	243,342,725	7.3%	2.6%	2,879
62,225,000		110,246,010	184,234	324,198,188	12.2%	3.5%	3,836
80,400,000		107,968,005	147,404	326,421,637	9.1%	3.4%	3,862
75,670,000	5,610,000	99,645,404	1,419,321	307,574,443	8.2%	3.2%	3,639
86,180,000	5,510,000	98,003,005	1,222,767	342,283,366	9.1%	3.3%	3,957
92,980,000	5,080,000	97,520,606	2,278,431	449,785,285	10.8%	4.1%	5,172

\*See the Schedule of Demographic and Economic Statistics for personal income and population data.

**CITY OF SUGAR LAND, TEXAS**  
**DIRECT AND ESTIMATED OVERLAPPING**  
**GOVERNMENTAL ACTIVITIES DEBT**  
*September 30, 2015*

Taxing Jurisdiction	Gross Debt	Overlapping	
		Estimated Percentage *	Amount
Burney Road MUD	\$ 9,275,000	100.00%	\$ 9,275,000
First Colony MUD No. 10	14,550,000	100.00%	14,550,000
Fort Bend County**	457,525,000	23.22%	106,237,305
Fort Bend County LID No. 2	13,440,000	100.00%	13,440,000
Fort Bend County LID No. 10	12,210,000	95.04%	11,604,384
Fort Bend County LID No. 14	3,945,000	100.00%	3,945,000
Fort Bend County LID No. 17	55,190,000	100.00%	55,190,000
Fort Bend County MUD No. 116	26,090,000	0.11%	28,699
Fort Bend County MUD No. 136	4,545,000	100.00%	4,545,000
Fort Bend County MUD No. 137	29,420,000	100.00%	29,420,000
Fort Bend County MUD No. 138	42,905,000	100.00%	42,905,000
Fort Bend County MUD No. 139	14,585,000	100.00%	14,585,000
Fort Bend County WC&ID No. 2	74,330,000	0.54%	401,382
Fort Bend ISD	910,128,767	37.79%	343,937,661
<b>Total Overlapping Debt</b>			\$ 650,064,431
City of Sugar Land	236,751,211	100.00%	<u>236,751,211</u>
<b>Total Direct and Overlapping Debt</b>			<u><u>\$ 886,815,642</u></u>
Ratio of Direct and Overlapping Funded Debt to 2014 Taxable Assessed Valuation			8.10%
Per Capita Debt - Direct and Overlapping			\$ 10,197

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

\* The "Estimated Percentage Overlapping" is determined by dividing the City's certified taxable value by the County and related other County entities certified taxable values.

\*\* Includes the \$63,695,000 Fort Bend County, Texas Unlimited Tax and Subordinate Lien Toll Road Revenue Bonds, Series 2003 and the \$72,195,000 Fort Bend County, Texas Unlimited Tax and Subordinate Lien Toll Road Revenue Bonds, Series 2004.

Source-Tax Department records of the various governments and the financial advisor for the City.

**CITY OF SUGAR LAND, TEXAS**

**PLEDGED REVENUE COVERAGE**

*Last Ten Fiscal Years*

Fiscal Year	Net Revenue Available for						Times Coverage	
	Gross Revenue (A)	Total Operating Expenses (B)	Debt Service	Debt Service Requirements (C)				
				Principal	Interest	Total		
Utility/Surface Water - Waterworks and Sewer System Revenue Bonds and Combo Tax and Revenue Certificates of Obligation								
2006	\$ 23,319,289	\$ 9,212,745	\$ 14,106,544	\$ 2,260,000	\$ 1,412,483	\$3,672,483	3.84	
2007	22,492,174	9,672,726	12,819,448	2,280,000	1,319,533	3,599,533	3.56	
2008	25,758,079	11,821,825	13,936,254	2,280,000	1,969,366	4,249,366	3.28	
2009	29,493,918	12,534,620	16,959,298	2,535,000	1,777,648	4,312,648	3.93	
2010	27,851,605	12,249,239	15,602,366	3,715,000	2,628,310	6,343,310	2.46	
2011	35,879,212	14,481,658	21,397,554	5,495,000	6,727,898	12,222,898	1.75	
2012	40,961,236	13,325,073	27,636,163	6,360,000	7,138,761	13,498,761	2.05	
2013	43,056,189	13,980,526	29,075,663	6,535,000	7,138,988	13,673,988	2.13	
2014	44,461,529	15,551,786	28,909,743	7,305,000	6,736,571	14,041,571	2.06	
2015	43,600,505	17,458,897	26,141,608	6,875,000	7,435,047	14,310,047	1.83	
Airport - Combination Tax and Revenue Certificates of Obligation and General Obligation Refunding Bonds								
2006	\$ 9,523,197	\$ 8,319,812	\$ 1,203,385	\$ 310,000	\$ 383,839	\$ 693,839	1.73	
2007	10,216,832	8,414,435	1,802,397	320,000	370,451	690,451	2.61	
2008	13,264,297	11,587,030	1,677,267	465,000	532,008	997,008	1.68	
2009	8,909,097	7,389,197	1,519,900	480,000	512,208	992,208	1.53	
2010	11,095,870	8,990,899	2,104,971	510,985	507,479	1,018,464	2.07	
2011	14,365,263	12,421,540	1,943,723	533,005	484,240	1,017,245	1.91	
2012	15,686,832	13,442,241	2,244,591	562,601	458,337	1,020,938	2.20	
2013	16,580,724	13,971,288	2,609,436	617,399	584,625	1,202,024	2.17	
2014	16,947,944	14,005,337	2,942,607	672,399	359,000	1,031,399	2.85	
2015	13,773,153	10,872,237	2,900,916	692,399	400,254	1,092,653	2.65	
Sugar Land Development Corporation - Sales Tax Revenue Bonds								
2006	\$ 5,521,594	\$ 2,450,638	\$ 3,070,956	\$ 1,485,000	\$ 609,499	\$2,094,499	1.47	
2007	5,087,031	1,561,471	3,525,560	455,000	555,436	1,010,436	3.49	
2008	5,492,177	1,904,422	3,587,755	470,000	526,530	996,530	3.60	
2009	5,126,108	1,864,368	3,261,740	490,000	496,530	986,530	3.31	
2010	4,765,732	2,654,472	2,111,260	505,000	465,436	970,436	2.18	
2011	5,002,593	1,761,821	3,240,772	525,000	433,249	958,249	3.38	
2012	5,418,133	344,395	5,073,738	550,000	405,499	955,499	5.31	
2013	5,635,748	1,035,784	4,599,964	575,000	382,655	957,655	4.80	
2014	6,155,747	1,856,849	4,298,898	775,000	635,546	1,410,546	3.05	
2015	6,591,810	865,345	5,726,465	1,745,000	2,480,746	4,225,746	1.36	
Sugar Land 4B Corporation - Sales Tax Revenue Bonds								
2006	\$ 4,933,007	\$ 258,236	\$ 4,674,771	\$ 1,470,000	\$ 693,373	\$2,163,373	2.16	
2007	5,089,765	306,390	4,783,375	935,000	746,523	1,681,523	2.84	
2008	5,557,492	825,646	4,731,846	975,000	696,910	1,671,910	2.83	
2009	6,776,475	930,587	5,845,888	1,025,000	647,116	1,672,116	3.50	
2010	4,735,081	546,578	4,188,503	1,195,000	429,231	1,624,231	2.58	
2011	5,020,642	983,093	4,037,549	1,635,000	1,742,456	3,377,456	1.20	
2012	5,430,099	1,623,703	3,806,396	1,660,000	1,691,606	3,351,606	1.14	
2013	5,629,941	1,453,704	4,176,237	1,705,000	1,639,706	3,344,706	1.25	
2014	6,506,277	1,418,074	5,088,203	1,780,000	1,583,844	3,363,844	1.51	
2015	6,727,338	1,992,429	4,734,909	1,840,000	1,522,638	3,362,638	1.41	

(A) Gross revenue, as defined in the revenue bond ordinances, includes operating and non-operating revenue and excludes capital contributions (grant revenue), and capital recovery fees.

(B) Total expenses, as defined in the revenue bond ordinances, do not include amortization, depreciation, and bond interest and fiscal charges.

(C) Debt service requirements are based on the expected debt service payments for the following fiscal year.

**CITY OF SUGAR LAND, TEXAS**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
*Last Ten Fiscal Years*

<b>Fiscal Year</b>	<b>Population</b>	<b>Personal Income<sup>1</sup> (\$000's)</b>	<b>Per Capita Income<sup>1</sup></b>	<b>Median Age<sup>2</sup></b>	<b>Educational<sup>1</sup> Attainment*</b>	<b>Unemployment Rate<sup>2</sup></b>
2006	74,472	2,782,795	37,367	35.4	54%	3.5%
2007	76,228	2,807,477	36,830	37.4	54%	3.4%
2008	77,982	2,930,953	37,585	37.6	54%	3.7%
2009	79,573	2,986,693	37,534	36.4	53%	4.8%
2010	84,511	3,353,396	39,680	36.7	55%	6.1%
2011	84,511	2,659,858	41,683	40.5	54%	6.5%
2012	84,511	3,586,815	42,442	41.2	54%	4.5%
2013	84,511	3,737,330	44,223	40.7	54%	4.9%
2014	86,495	3,781,499	44,375	41.4	54%	3.9%
2015	86,972	4,149,181	48,807	41.7	55%	4.6%

Data Sources:

1 - U.S. Census; ESRI

2 - Texas Workforce Commission

Note: Personal income information is a total for the year. Unemployment rate information is an adjusted yearly average.

\* Percent of population over the age of 25 with Bachelor or Graduate degrees

# CITY OF SUGAR LAND, TEXAS

## PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Employer	2015			2006		
	Employees	Rank	Percentage of Total City Employment (A)	Employees	Rank	Percentage of Total City Employment (A)
Fort Bend ISD	2,929	1	4.61%			
Fluor Enterprises, Inc.	2,800	2	4.41%	3,000	1	7.7%
Schlumberger	2,200	3	3.46%	2,000	2	5.1%
Houston Methodist Sugar I	1,900	4	2.99%	637	3	1.6%
United Healthcare/United F	800	5	1.26%			
Nalco Champion, an Ecolal	744	6	1.17%	400	4	1.0%
Tramontina USA, Inc.	740	7	1.17%	200	10	0.5%
First Data Telecheck	500	8	0.79%			
Memorial Hermann Sugar I	497	9	0.78%			
Noble Drilling Services, In	477	10	0.75%	350	5	0.9%
National Oilwell Varco				338	6	0.9%
Baker Petrolite Corp.				325	7	0.8%
Thermo Electron				260	8	0.7%
Fairfield Industries, Inc.				225	9	0.6%
	<u>13,587</u>		<u>21%</u>	<u>7,735</u>		<u>20%</u>

(A) For 2015, estimated total employment was 63,505 For 2006, estimated total employment was 39,145.

Source: Total employment estimates were obtained from the City's Economic Development Website

**CITY OF SUGAR LAND, TEXAS*****FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION******Last Ten Fiscal Years***

<b>Function</b>	<b>Full-time Equivalent Employees as of September 30,</b>			
	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>Governmental Activities:</b>				
General government	51.2	54.7	65.7	64.7
Administrative services	37.5	59.5	63.0	62.5
Public safety - Police	173.5	176.5	183.5	193.5
Public safety - Fire	104.0	105.0	110.0	112.0
Public works	45.5	37.9	34.9	38.9
Parks and recreation	22.7	26.3	27.3	29.3
Community development	40.0	38.0	52.5	53.0
<b>Business-type activities:</b>				
Utility	47.0	51.0	55.0	51.5
Solid waste management	1.5	1.0	2.0	2.0
Regional Airport	27.5	29.5	29.5	33.5
<b>Total</b>	<b>550.4</b>	<b>579.4</b>	<b>623.4</b>	<b>640.9</b>

Source: Budget Office

Full-time Equivalent Employees as of September 30,					
2010	2011	2012	2013	2014	2015
77.7	80.2	80.2	83.2	78.7	82.0
58.5	30.2	30.2	27.5	34.0	34.0
190.5	191.8	191.8	194.5	198.5	200.5
108.0	107.0	107.0	107.0	111.0	122.0
41.9	52.5	52.5	54.9	54.4	53.5
34.4	34.4	34.4	35.9	37.3	31.0
54.1	52.0	55.0	56.0	54.1	61.0
56.5	55.5	55.5	59.5	66.0	67.5
2.0	2.0	2.0	2.0	2.5	2.5
33.5	33.5	33.5	42.0	42.0	41.0
657.1	639.1	642.1	662.5	678.5	695.0

**CITY OF SUGAR LAND, TEXAS**  
**OPERATING INDICATORS BY FUNCTION**  
*Last Ten Fiscal Years*

Function	Fiscal Year			
	2006	2007	2008	2009
City of Sugar Land				
Population	74,472	76,228	77,982	79,732
Square miles	29.4	32.2	32.2	32.2
Acres	18,816	20,597	20,618	20,618
Budgeted full time employees	550.4	578.4	623.4	640.9
Police				
Physical arrests	2,455	2,702	2,577	3,044
Traffic violations	12,190	17,006	15,243	22,056
Parking violations	73	139	158	285
Calls for service	98,868	73,304	66,666	66,711
Fire				
Number of calls answered	6,018	6,264	6,296	6,253
Parks and recreation				
Special events	12	12	7	19
Water				
New connections	452	677	663	527
Water main breaks	136	65	117	209
Annual Rainfall (inches)	36.5	71.8	35.7	22.3
Average daily production (MG)	13.36	11.22	13.64	16.77
Sewer				
Average daily WW treatment (MG)	8.11	8.48	8.14	7.81
Community Development				
Building Permits issued	6,679	8,385	7,906	8,115
Airport				
No. of fuel gallons sold	2,461,798	2,641,000	2,560,240	2,053,874
Fuel Sales	\$ 8,423,636	\$ 8,939,866	\$11,915,051	\$ 7,437,870
Aircraft served	13,696	13,446	13,608	12,663

Source: Various City Departments.



Fiscal Year					
2010	2011	2012	2013	2014	2015
84,511	84,511	84,511	84,511	86,495	86,972
33.5	33.5	33.5	35.1	35.2	35.2
21,451	21,451	21,516	22,475	22,500	22,500
657.1	642.0	642.0	662.5	676.0	695.0
3,212	3,914	3,792	3,009	2,899	2,247
21,370	27,053	24,157	21,577	20,534	19,364
203	615	652	469	377	313
69,298	162,669	151,967	155,718	123,450	70,136
6,106	6,293	6,419	7,250	7,328	8,248
19	15	18	18	18	26
1,656	448	432	186	186	194
51	357	59	211	35	45
55.0	17.2	57.1	35.5	48.3	62.6
12.99	18.01	15.70	15.15	15.47	15.35
7.81	7.71	8.27	7.28	8.02	8.65
7,982	8,629	7,583	7,362	7,271	6,798
2,418,443	2,714,881	2,847,905	3,015,916	2,968,546	2,868,330
\$ 9,530,961	\$12,766,985	\$13,876,503	\$14,616,206	\$14,934,003	\$11,551,592
12,309	13,160	18,843	13,353	12,017	11,375

**CITY OF SUGAR LAND, TEXAS**  
**CAPITAL ASSETS STATISTICS BY FUNCTION**  
*Last Ten Fiscal Years*

<b>Function</b>	<b>Fiscal Year</b>			
	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
General government				
Municipal buildings	36	36	36	36
Conference center	1	1	1	1
Public safety				
Police Protection				
Stations	1	1	1	1
Fire Protection				
Stations within city limits	5	5	5	5
Stations operated through agreements with MUDs served in ETJ	1	1	1	1
Highways and streets				
Linear miles of sidewalks	366	367	405	405
Storm sewers (miles)	231	280	242	242
Traffic signals	68	70	74	74
Parks and recreation				
Parks	19	20	22	22
Community centers	6	6	6	6
Parks acreage				
Developed	358	508	507	507
Undeveloped	579	429	569	569
Water				
Water wells	14	15	15	15
Water mains (miles)	335	360	370	370
Fire hydrants	2,952	3,257	3,363	3,363
Maximum daily demand (MG)				
Groundwater	24.47	21.57	42.90	42.90
Waste water				
Waste water treatment plants	2	2	2	2
Sanitary sewers (miles)	331	331	338	338
Max daily efficiency flow (MG)	13.5	13.5	13.5	13.5

Source: Various City Departments.

\* This includes North Plant at 12.9 and South Plant at 11.4

Fiscal Year					
2010	2011	2012	2013	2014	2015
36	38	40	40	40	40
1	1	1	1	1	1
1	1	1	1	1	1
5	5	6	6	6	6
1	1	1	1	1	1
432	432	450	500	500	537
246	246	338	338	338	350
80	78	79	81	85	85
24	23	24	24	24	26
6	6	6	6	6	6
562	562	562	562	571	571
695	695	760	760	807	807
17	17	17	17	16	16
415	421	431	431	441	452
3,610	3,817	3,993	4,000	4,050	4,134
27.20	36.07	30.14	29.89	29.97	25.84
2	2	2	2	2	2
381	395	405	405	412	426
13.5	13.5	13.5	13.5	13.5	24.3*

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